

The Federal Bank Limited
Employee Stock Option Scheme 2017

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1. Name of the Scheme

This Scheme shall be termed as The Federal Bank Limited Employee Stock Option Scheme 2017 (“ESOS 2017”). The ESOS 2017 has been approved by a special resolution passed on 14.07.2017 at the General Meeting of The Federal Bank Limited (“Bank”). The ESOS 2017 has been approved for employees of the Bank and its Subsidiary Company by a separate special resolution passed on 14.07.2017 at the General Meeting of the Bank. The ESOS 2017 shall be effective from 14.07.2017 (hereinafter referred to as the “Effective Date”).

This document sets out the terms and conditions of the ESOS 2017 under which the Options are being granted and Equity Shares are being allotted to the Employees of the Bank and/or its Subsidiary Company.

2. Purpose of the ESOS 2017

The Bank, having its registered office at Federal Towers, P B No 103, Aluva, Ernakulam, Kerala- 683101, has structured this ESOS 2017 for the Employees. The objective of the ESOS 2017 is to carry on a long term incentive plan for attracting new talent and for rewarding and retaining the best talent of the Bank.

This is sought to be achieved through the Grant of Options to Employees to subscribe to Equity Shares of the Bank.

3. Definitions

In the ESOS 2017, except where the context otherwise requires, the following capitalized terms shall have the meanings as indicated below:

- 3.1 “Acceptance Form” shall mean the form that the Option Grantee has to submit indicating his acceptance of the offer made to him to participate in the ESOS 2017.
- 3.2 “Applicable Laws” means any national, local or other laws, statutes, ordinances, regulations, rules, orders, bye laws, guidelines, policies, administrative interpretations, writs, injunctions, directives, judgments, decrees or other instruments which have the force of law in India , including, without limitation, the Companies Act, the SEBI Regulations.
- 3.3 “Associate Company” means a company as defined under Section 2(6) of the Companies Act.
- 3.4 “Beneficiary” means (i) the person or persons, trust or trusts designated by the Employee; or (ii) in the absence of any designation by the Employee, a person or persons who is/are entitled by the will and probate of the Employee to receive the benefits specified in the ESOS 2017; or (iii) the legal heirs of the Employee, if the Employee dies intestate and no other beneficiary has been designated, and includes the Employee's executors or administrator. The term Beneficiary shall include such other persons as may be added from time to time to the class of beneficiaries by the Employee by providing notice in writing and by filling the nomination form in the exercise of any powers conferred under the ESOS 2017 or any other agreements forming part thereof.
- 3.5 “Board” means the board of Directors of the Bank, as constituted from time to time in accordance with Applicable Laws.
- 3.6 “Cause” means (i) act of willful or gross misconduct or neglect, or (ii) the commission of

felony, fraud, misappropriation, embezzlement, breach of trust or an offence involving moral turpitude, or (iii) gross or willful insubordination, or (iv) any other act detrimental to the interest of the Bank or its Subsidiary Company.

- 3.7 “Closing Date” means the last date on which the offer of Options made by the Bank to an Option Grantee can be accepted. In case the last date is a non-working day, then it shall be the immediately following working day.
- 3.8 “Companies Act” means the Companies Act, 2013 along with the rules made thereunder (to the extent applicable) and includes any statutory modifications, amendments, re-enactments thereof from time to time.
- 3.9 “Committee” means the Nomination, Ethics, Remuneration and Compensation Committee of the Board (as re-constituted by the Board from time to time) constituted in accordance with the Companies Act, consisting of a majority of Independent Directors and which has been authorized by the Board to function as the ‘Compensation Committee’ as provided under the SEBI Regulations and to administer the ESOS 2017.
- 3.10 “Control” shall have the same meaning as defined under the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.
- 3.11 “Director” means a person appointed on the Board of the Bank and/ or on the board of its Subsidiary Company, as applicable, in accordance with the provisions of the Companies Act, whether a whole time director or not.
- 3.12 “Equity Shares” means equity shares of face value of INR 2/-each or such amount as may be fixed from time to time of the Bank.
- 3.13 “Employee” means an employee or Director of the Bank or its Subsidiary Company, who is eligible for being granted Options under this ESOS 2017.
- 3.14 “ESOS 2017” shall mean the Federal Bank Limited Employee Stock Option Scheme 2017 under which the Bank Grants Options to the Option Grantees and shall include any alterations, amendments, additions, deletions, modifications or variations thereof from time to time.
- 3.15 “Exercise” of an Option means expression of an intention in writing by an Employee to the Bank, for issue of Equity Shares against the Vested Options, in pursuance of the ESOS 2017 and in accordance with the procedure laid down herein.
- 3.16 “Exercise Date” means the date on which the Employee provides the notice of Exercise to the Bank in accordance with the terms provided herein.
- 3.17 “Exercise Period” means such time period after Vesting within which the Employee should Exercise the Vested Options in pursuance of the ESOS 2017.
- 3.18 “Exercise Price” means the price determined by the Committee and payable by an Employee or the Beneficiary, as the case may be, in order to Exercise the Vested Options in pursuance of the ESOS 2017.
- 3.19 “Fully Diluted Basis” means that the calculation is to be made assuming that all outstanding convertible preference shares or securities (whether or not by their terms then currently

convertible, exercisable, or exchangeable), have been so converted, exercised or exchanged.

- 3.20 “General Meeting” means a general meeting (including extraordinary general meeting, annual general meeting) of the Shareholders of the Bank held in accordance with the articles of association of the Bank and the Applicable Laws.
- 3.21 “Grant” means the grant of Options to the Employees under the ESOS 2017 and the term “Granted” shall be construed accordingly.
- 3.22 “Grant Date” means the date on which the Committee approves the Grant.
- 3.23 “Grant Letter” means the letter by which Grant of an Option is communicated to the Option Grantee.
- 3.24 “Independent Director” means an independent director within the meaning of Regulation 16(b) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- 3.25 “Issued and Paid-up Share Capital” means fully paid-up equity shares, convertible preference shares and any other securities convertible into equity shares and shall include American Depositary Receipts (ADRs), Global Depositary Receipts (GDRs) or other depository receipts representing underlying equity shares or securities convertible into equity shares.
- 3.26 “Option” means the option granted under the ESOS 2017 to an Employee, which gives such Employees the right to subscribe at a future date the Equity Shares underlying the option at a pre-determined price in accordance with the terms of ESOS 2017.
- 3.27 “Option Grantee(s)” shall mean Employee(s) who have been Granted the Options under the ESOS 2017.
- 3.28 “Permanent Incapacity” means any disability of whatsoever nature, physical, mental or otherwise, which incapacitates or prevents or handicaps an Employee from performing any specific job, work or task which the said Employee was capable of performing immediately before such disablement, as identified and determined by the Committee based on a certificate of a medical expert identified by the Committee.
- 3.29 “Promoter” includes (a) the person or persons who are in Control of the Bank; (b) the person or the persons who are instrumental in the formulation of a plan or programme pursuant to which specified securities of the Bank are offered to the public; (c) the person or persons named in the offer document as promoter(s), provided that a Director or officer of the Bank, if acting as such merely in their professional capacity will not be deemed to be a promoter. Where the Promoter or Promoter Group of the Bank is a body corporate, the promoters of that body corporate shall also be deemed to be Promoters of the Bank.
- 3.30 “Promoter Group” includes (a) the Promoter; (b) 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); (c) persons whose shareholding is aggregated for the purpose of disclosing in the prospectus under the heading “shareholding of the promoter group” (d) in case Promoter is a body corporate: (i) a subsidiary or holding company of such body corporate; (ii) any body corporate in which the Promoter holds 10% (ten percent) or more of the equity share capital or which holds 10% (ten percent) or more of the equity share capital of the Promoter; (iii) any body corporate in which a group of individuals or companies or combinations thereof which hold

20% (twenty percent) or more of the equity share capital in that body corporate also holds 20% (twenty percent) or more of the equity share capital of the Bank; and (e) in case the Promoter is an individual: (i) any body corporate in which 10% (ten percent) or more of the equity share capital is held by the Promoter or an immediate relative of the Promoter or a firm or Hindu Undivided Family (HUF) in which the promoter or any one or more of his immediate relative is a member; (ii) any body corporate in which a body corporate as provided in clause (e)(i) above holds 10% (ten percent) or more, of the equity share capital; (iii) any HUF or firm in which the aggregate shareholding of the Promoter and his immediate relatives is equal to or more than 10% (ten percent) of the total share/profit in such HUF or firm.

- 3.31 “Relative” shall have the same meaning as defined under Section 2(77) of the Companies Act.
- 3.32 “Relevant Date” means:
- i. In the case of Grant, the Grant Date; or
 - ii. In the case of Exercise, the Exercise Date.
- 3.33 “Retirement” means retirement as per the rules of the Bank (or its Subsidiary Company, as applicable), or upon expiry of the term of employment as per the agreement, if any, entered into between the Bank and the relevant Employee.
- 3.34 “SEBI Regulations” means the Securities and Exchange Board of India (Shared Based Employee Benefits) Regulations, 2014 issued by the Securities and Exchange Board of India and shall include any alterations, amendments, additions, deletions, modifications, or variations thereof from time to time.
- 3.35 “Shareholder” means the registered holder of an Equity Share or any security which is convertible into Equity Shares in accordance with Applicable Laws in the share capital of the Bank.
- 3.36 “Subsidiary Company” in relation to the Bank, shall mean a company as defined under Section 2(87) of the Companies Act.
- 3.37 “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.
- 3.38 “Vesting” means the process by which the Options Granted to an Option Grantee vests with the Option Grantee and the Option Grantee acquires the right to subscribe for Equity Shares of the Bank against the Options Granted to him/her in pursuance of the ESOS 2017. The term “Vest”/ “Vested” shall be construed accordingly.
- 3.39 “Vesting Conditions” means conditions as may be stipulated by the Committee for Vesting of Options.
- 3.40 “Vesting Date” means the date on and from which the Option Vests with the Employee and thereby becomes exercisable.
- 3.41 “Vested Option” means an Option in respect of which the relevant Vesting Conditions have been satisfied and the Employee has become eligible to Exercise the Option.
- 3.42 “Vesting Period” means the period during which the Vesting of the Option Granted to the

Employees in pursuance of the ESOS 2017 takes place.

4. Interpretation

- 4.1 The headings/ subheadings/ titles/ subtitles are only for the sake of convenience and shall not be interpreted to restrict or otherwise affect the meaning or import of the articles, which shall be interpreted solely in light of the contents thereof.
- 4.2 Where a word or phrase is defined, other parts of speech and grammatical forms of that word or phrase shall have the corresponding meanings.
- 4.3 Any reference to 'writing' includes printing, typing, lithography and other means of reproducing words in visible form.
- 4.4 The term 'including' shall mean 'including without limitation', unless otherwise specified.
- 4.5 Reference to any act, rules, statute or notification shall include any statutory modification, substitution or re-enactment thereof.
- 4.6 Reference to a clause number is a reference to its sub-clauses also.
- 4.7 Words in singular number include the plural and vice-versa.
- 4.8 Reference to a Schedule includes reference to any part of that Schedule which is incorporated by reference.
- 4.9 Words importing a gender include any other gender.
- 4.10 All other expressions unless defined herein shall have the same meaning as have been assigned to them under the Securities and Exchange Board of India Act, 1992 or the Securities Contracts (Regulatory) Act, 1956 or the Companies Act or the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 or the SEBI Regulations or any other statutory modifications or re-enactments thereof, as the case maybe.

5. Authority and Ceiling

- 5.1 Pursuant to the special resolution passed by the Shareholders of the Bank at the General Meeting held on 14.07.2017 and subject to Clause 8.1 below, the Bank has been authorized to Grant the Options under the ESOS 2017, in one or more tranches, to the Employees, not exceeding 5% (five percent) of the Paid-up Share Capital (at all times) on a Fully Diluted Basis in aggregate (currently equivalent to 8,62,02,270 (Eight Crore Sixty Two Lakh Two Thousand Two Hundred and Seventy) Equity Shares as on 31/03/2017, or such adjusted numbers for any bonus, stock splits or consolidations or other re-organization of the capital structure of the Bank, as may be applicable from time to time) and each such Option shall confer a right upon the Employees to apply for 1 (one) Equity Share of the Bank, in accordance with the terms and conditions determined by the Committee pursuant to the ESOS 2017 and Applicable Laws.

6. Eligibility and Applicability

- 6.1 The following persons shall be eligible for being Granted Options under the ESOS 2017:

- i. A permanent employee of the Bank or its Subsidiary Company, working in India or outside of India; or
- ii. A director of the Bank or its Subsidiary Company, whether a whole time director or not but excluding an Independent Director.

However, the following persons are not entitled for being Granted Options under the ESOS 2017:

- i. An employee of the Bank or its Subsidiary Company who is a Promoter or belongs to the Promoter Group;
- ii. A director of the Bank or its Subsidiary Company who either himself or through his Relative or through any body corporate, directly or indirectly, holds more than 10% (ten percent) of the outstanding Equity Shares of the Bank.

6.2 The specific Employees to whom the Options would be Granted and their eligibility criteria would be determined by the Committee at its own discretion based on certain parameters, including, but not limited to, the date of joining of the Employee with the Bank, grade of the Employee, performance evaluation, period of service with the Bank, criticality. Further, the Committee at its own discretion may Grant Options to any new Employee at the time of joining the Bank or its Subsidiary Company or to any Employee for his performance in the Bank or its Subsidiary Company.

6.3 In the event the Employee or Director who is eligible under ESOS 2017 is a person resident outside India, the Bank will, while granting Options and issuance of Equity Shares pursuant to Exercise of Options, ensure compliance with Applicable Laws, including the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000 and make necessary filings thereto.

7. Administration of the ESOS 2017

7.1 The ESOS 2017 shall be administered by the Committee. Unless otherwise expressly provided in the ESOS 2017 or Applicable Laws, all decisions, determinations and interpretations with respect to, connected with, arising out of or in relation to the ESOS 2017 shall be at the sole discretion of the Committee, may be made at any time and shall be final, conclusive and binding upon all persons including the Bank, Option Grantees, Shareholders, Employees and Directors of the Bank or its Subsidiary Company.

7.2 No member of the Committee shall be liable for any action or determination made in good faith pursuant to the ESOS 2017.

7.3 Subject to the provisions of the ESOS 2017 and Applicable Laws and in addition to the other express powers and authorizations conferred by the ESOS 2017, the Committee shall have full power and authority to formulate the detailed terms and conditions of the ESOS 2017 including, but not limited to:

- i. the quantum of Options to be Granted under the ESOS 2017 per Employee and in aggregate within the limits approved by the Shareholders of the Bank;
- ii. the Vesting Conditions of the Option including specifying Vesting criteria that is linked to the performance of the Options Grantees and/ or the Bank;

- iii. the conditions under which Option vested in Employees may lapse in case of termination of employment for Cause;
- iv. the Exercise Period within which the Employees should Exercise the Options;
- v. the specified time period within which the Employee shall exercise the Vested Options in the event of termination or resignation of Employees;
- vi. the right of an Employee to exercise all the Options Vested in him at one time or at various points of time within the Exercise Period;
- vii. the procedure for making a fair and reasonable 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 be taken into consideration by the Committee-
 - a. the number and the price of Options shall be adjusted in a manner such that total value of the Options remain the same after the corporate action;
 - b. for this purpose global best practices in this area including the procedures followed by the derivative markets in India and abroad shall be considered by the Committee;
 - c. the Vesting Period and the tenure of the Options shall be left unaltered by the Committee, as far as possible to protect the rights of the Option Grantee(s).
- viii. the procedure for cashless exercise of Options, if any.

7.4 Subject to the other provisions of the ESOS 2017 and Applicable Laws and in addition to the other express powers and authorizations conferred by the ESOS 2017, the Committee shall have full power and authority to –

- a. determine, from time to time, Employees who are eligible to participate in the ESOS 2017;
- b. determine the number of Equity Shares linked to each Option;
- c. alter the Vesting Period and the Exercise Period;
- d. prescribe the conditions and procedures for the Grant, Vesting and Exercise of Options by Option Grantees, including Option Grantees who are on long leave, training or otherwise indisposed;
- e. prescribe the Vesting Conditions and conditions for Exercise of Options in the event of death/permanent incapacity and any other event causing separation of any Employee from the Bank;
- f. establish, amend, suspend or waive such terms and conditions as it shall deem appropriate for the proper administration of the ESOS 2017 but without prejudice to the interest of the Employees;
- g. interpret any matter with respect to, connected with, arising out of or in relation to the

ESOS 2017;

- h. appoint agents/ service provider as it shall deem necessary for the proper administration of the ESOS 2017;
- i. determine or impose other conditions to the Grant or Exercise of Options under the ESOS 2017, as it may deem appropriate;
- j. make any other determination and take any other action that the Committee deems necessary or desirable for the administration of the ESOS 2017.

7.5 The Committee shall frame suitable policies and systems to ensure that there is no violation of Applicable Laws, including without limitation, Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015, Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to the Securities Market) Regulations, 2003, as amended from time to time, by the Bank and/or any Employee, as applicable.

8. Number of Shares

8.1 Subject to Clause 33.3 of the ESOS 2017, the maximum number of Equity Shares that may be issued pursuant to Exercise of Options Granted to the Employees under this ESOS 2017 shall not exceed 5% (five percent) of the Paid-up Share Capital of the Bank as on 31/03/2017. The Committee reserves the right to increase or reduce such numbers of Equity Shares as it deems fit.

8.2 All Options that have lapsed (including those having lapsed by way of forfeiture or other termination) shall be added back to the number of Options that are pending to be Granted. The Bank may Grant such Options within the overall limits as per Clause 8.1 of the ESOS 2017.

9. Grant of Options

9.1 The Option shall be Granted in accordance with the recommendations of the Committee to the present/ future Employees, in one or multiple tranches.

9.2 The Option would be Granted directly by the Bank in accordance with the provisions of the Applicable Laws.

9.3 The appraisal process for determining the eligibility of the Employees will be decided by the Committee from time to time. The employees would be Granted Options under the ESOS 2017 based on various parameters such as scale, designation, work performance, grades, period of service, annual fixed pay, Bank's performance and such other parameters as may be decided by the Committee from time to time in its sole discretion.

9.4 Each Option will entitle the Employee to 1 (one) Equity Share of the Bank.

9.5 The Grant of the Options by the Committee to the Employees shall be made in writing and communicated to the Employees by way of a Grant Letter. Such Grant Letter shall state the number of Options Granted, the Vesting Conditions as determined by the Committee, the Vesting Period, the Exercise Price, the Closing Date of accepting the Grant and any other terms and conditions in relation to the Options as may be specified by the Committee.

- 9.6 The Closing Date of accepting the offer shall not be more than 60 (sixty) days from the Grant Date.
- 9.7 An offer made under Clause 9.1 of the ESOS 2017 is personal to the Option Grantee and cannot be transferred to any person in any manner whatsoever other than as provided hereunder.
- 9.8 During any 1 (one) year, no Employee shall be Granted Options equal to or exceeding 1% (one percent) of the Paid-up Share Capital (excluding outstanding warrants and conversions) of the Bank at the time of Grant of Options, unless an approval from the Shareholders is taken by way of special resolution in a General Meeting.

10. Method of Acceptance

- 10.1 Any Option Grantee who wishes to accept an offer made pursuant to Clause 9 of the ESOS 2017 must deliver duly completed Acceptance Form to the Committee on or before the Closing Date stated in the Grant Letter.
- 10.2 Any Option Grantee who fails to return the Acceptance Form, complete in all respects, on or before the Closing Date shall, unless the Committee determines otherwise, be deemed to have rejected the offer. Any Acceptance Form received after the Closing Date shall not be valid.

11. Vesting of Options

- 11.1 The Options Granted under the ESOS 2017 shall vest in 1 (one) or more tranches.
- 11.2 There shall be a minimum lock-in period of 1 (one) year between the Grant Date of the options and the Vesting Date. The Equity Shares arising out of Exercise of Vested Options would not be subject to any lock-in period after such Exercise, unless otherwise determined by the Committee and/or required under Applicable Laws.
- 11.3 The Vesting Period shall be determined by the Committee on the Grant Date and shall be mentioned in the Grant Letter.
- 11.4 Subject to Clause 12.3 of the ESOS 2017, for a valid Vesting, an Employee is required to be in service with the Bank or its Subsidiary Company on the Vesting Date and must neither be serving his notice for termination of service nor be subject to any disciplinary proceedings pending against him on the Vesting Date.

12. Exercise

12.1 Exercise Price per Option

The Exercise Price shall be determined by the Committee on the Grant Date, subject to compliance with the provisions of the SEBI Regulations. The Exercise Price shall be mentioned in the Grant Letter.

The Committee may, subject to the approval of the Shareholders in the General Meeting of the Bank, re-price the Options which are not Exercised, whether or not they have been Vested, if Options or the ESOS 2017 is rendered unattractive due to fall in the price of the Equity Share in the stock market. Further, such re-pricing shall not be detrimental to the interest of the Option Grantees and shall be in conformity with the Applicable Laws.

12.2 Exercise Period

The Exercise Period would commence from the Vesting Date and will expire on the completion of 5 (five) years from the date of Vesting of Options. The Equity Shares arising out of Exercise of Vested Options would not be subject to any lock-in period after such Exercise.

The Options Granted under the ESOS 2017 would be exercisable by the Employee by making an application to the designated person in the Bank, in such manner, on execution of such documents and on such terms as may be decided by the Committee. The Options will lapse if not Exercised within the Exercise Period and will be considered as Options that have not been Granted. Such Options can be re-Granted to the Employees in future in accordance with the terms and conditions determined by the Committee in this regard.

12.3 Exercise Period in case of Employees' Separation from the Bank and/or its Subsidiary Company

Sl. No	Separations	Unvested Options	Vested Options
12.3.1	Resignation	Cancelled.	Right to exercise will be similar to normal cases.
12.3.2	Retirement	Unvested Options may vest, as in normal cases and the right to exercise will also be similar to normal cases.	Right to exercise will be similar to normal cases.
12.3.3	Death	The Options Granted to the concerned Employee as on the date of his/ her death shall Vest in the relevant Beneficiary. The Committee at its sole discretion would decide the period within which the Options could be Exercised.	Right to exercise will be similar to normal cases.
12.3.4	Permanent Incapacity	All Options Granted to such Employees as on the date of the permanent incapacitation shall Vest in him/ her. The Committee at its sole discretion would decide the period within which the Options could be Exercised.	The Committee at its sole discretion would decide the period within which the Options could be Exercised.
12.3.5	Termination without Cause	Cancelled.	The Committee at its sole discretion would decide the period within which the Options could be exercised.
12.3.6	Termination	Cancelled.	Cancelled.

	with Cause		
12.3.7	Voluntary Retirement	Cancelled.	Right to exercise will be similar to normal cases
12.3.8	Any other event not specified above	The Committee at its sole discretion would decide the treatment of Unvested Options and such decision shall be final and binding.	The Committee at its sole discretion would decide the treatment of Vested Options and such decision shall be final and binding.

Notwithstanding anything contained in the above table but subject to Applicable Laws, the Committee shall have the authority to determine the treatment of Options (whether vested or unvested) including their Vesting, Exercise and Exercise Period in the event of death, Permanent Incapacity, Retirement, resignation, termination with Cause, termination without Cause, etc., on a case-to-case basis.

13. Exercise of Options

- 13.1 The Vested Options shall be exercisable according to the terms and conditions as determined and set forth under the ESOS 2017.
- 13.2 Subject to Clause 12.3.3 of the ESOS 2017, the Employee alone can Exercise the Vested Option.
- 13.3 The aggregate Exercise Price shall be paid in full upon the Exercise of the Vested Options. Payment must be made by one of the following methods:
- i. Cheque or demand draft issued in the name of the Bank as the Committee may specify; or
 - ii. remittance directly from the Employee's bank to the bank account of the Bank(wire transfer) as the Committee may specify; or
 - iii. any combination of such methods of payment or any other method acceptable to the Committee at its sole discretion.

14. Allotment of Shares

- 14.1 Upon completion of a valid Exercise of Options in accordance with the provisions hereof, the relevant Equity Shares shall be allotted to the Option Grantee in accordance with Applicable Laws.
- 14.2 Upon allotment of the Equity Shares, the Option Grantee shall become member of the Bank. The Equity Shares to be allotted shall rank pari-passu in all respect with the existing Equity Shares of the Bank.
- 14.3 The Option Grantee shall have no right to receive any dividend or to vote or in any manner enjoy the benefits of a Shareholder in respect of Options Granted, till the Equity Shares are issued upon Exercise of Option.
- 14.4 At the time of allotment of Equity Shares pursuant to a valid Exercise of an Option, the

Employee will be required to sign such papers as may be considered necessary under Applicable Laws or required by the Bank to lawfully execute/ enforce various provisions of the ESOS 2017.

- 14.5 In case a new issue of Equity Shares is made under ESOS 2017, the Equity Shares so issued shall be listed immediately in any recognized stock exchange where the existing Equity Shares of the Bank are listed, subject to compliance with Applicable Laws.

15. Tenure

- 15.1 The ESOS 2017 shall continue in effect from the Effective Date until (i) terminated by the Bank, on the sole recommendation of the Committee in accordance with Applicable Laws; or (ii) the date on which all the Options available for issuance under ESOS 2017 have been Granted and Exercised by the Option Grantee(s). Any such termination of the ESOS 2017 shall not affect Options already Granted and such Options shall remain in full force and effect as if the ESOS 2017 had not been terminated, unless mutually agreed otherwise between the Employees and the Bank.

16. Non-transferability of Options

Save as provided in Clause 12.3.3, the Options Granted herein, are personal to the Employee.

The Options cannot be assigned, alienated, pledged, attached, hypothecated, sold, or otherwise transferred or encumbered by the Employee otherwise than by will or by the laws of succession, to the extent permitted under the Applicable Laws, and any purported assignment, alienation, pledge, attachment, sale, transfer, or encumbrance not permitted herein shall be void and unenforceable against the Bank.

17. Grants to be made to New Hires/ Joiners

The Committee can decide the Options to be Granted to new hires/ joiners at the Bank or its Subsidiary Company as per their discretion and based on the Bank's requirements.

18. Change in Control/ Management

In the event of any change of Control of the Bank, the Options Granted herewith shall Vest forthwith, subject to the lock-in requirement for Vesting prescribed herein and/or as required under the SEBI Regulations. In such an event the Committee would have the sole authority to alter all or any of the terms relating to the Exercise/Vesting of the Options so Granted or the provisions of this ESOS 2017 in general and would also have the authority to do all such acts, deeds, matters and things as it may deem fit in its absolute discretion and as permitted under Applicable Laws so as to ensure that the benefits under the Grant are passed on to the Employees. It is hereby clarified that "change of Control" shall be deemed to include any of the following events or series of such events (whether occurring singly or in one or more combinations): (a) direct or indirect sale by the Shareholders of the Bank thereby allowing any third party to gain Control of the Bank; (b) subscription into the share capital of the Bank by any third party thereby allowing such investor to gain Control of the Bank; (c) a sale, merger, spin-off, exchange, or transfer of all or substantially all of the assets of the Bank; (d) liquidation or dissolution of the Bank.

19. Rights of an Employee

Rights as Shareholder: The rights of a Shareholder shall be conferred upon the Employee only after a valid Exercise of the Options and resultant issue of Equity Shares. Upon allotment of the Equity Shares, the Employees shall become members of the Bank and shall be entitled to all relevant rights of a member including voting rights, receipt of dividend, etc.

If the Bank issues bonus or rights shares, the Employee will not be eligible for the bonus or rights shares in the capacity of the holder of the Options, except that the entitlement to the number of Options will be adjusted in terms of Clause 7.3(vii). Only if the Options are Vested and Exercised and the Employee is a valid holder of the Equity Shares of the Bank at the time of issuance of the bonus or rights shares, the employee would be entitled for the bonus or rights Equity Shares of the Bank.

20. Beneficiary Designation

Each Employee under the ESOS 2017 may nominate, from time to time, any Beneficiary or Beneficiaries to whom any benefit under the ESOS 2017 is to be delivered in case of his death before he/ she receives all of such benefit. Each such nomination which revokes all prior nominations made by the same Employee shall be in a form prescribed by the Committee and will be effective only when filed by the Employee in writing with the Committee during the Employee's lifetime.

21. Tax

- 21.1 All the Options Granted under the ESOS 2017 shall be subject to withholding of all applicable taxes as per Applicable Laws.
- 21.2 The Bank shall have the right to deduct/recover all taxes at source as may be applicable on the Employees or the Bank, directly or indirectly, under laws of India or elsewhere, as a consequence of Grant, Vesting or Exercise of Options.
- 21.3 Notwithstanding anything else contained in this ESOS 2017, no Equity Shares shall be allotted to the Employee or his Beneficiary, on Exercise of the Options under this ESOS 2017, unless Tax Deducted at Source/ any other tax or levy as recoverable under Clause 21.1 of the ESOS 2017 above has been recovered or suitable arrangements for recovery of the same have been made to the satisfaction of the Committee. All taxes will be to the account of the Employees and will be recovered from them.

22. Modification of ESOS 2017

- 22.1 Subject to Applicable Laws, the Bank shall not vary the terms of the ESOS 2017 in any manner, which may be detrimental to the interest of the Employees.
- 22.2 Subject to Clause 22.1 above, the Bank may by special resolution in a General Meeting vary the terms of the ESOS 2017 but not yet exercised by the employee provided such variation is not prejudicial to the interest of the Employees.
- 22.3 The notice of the special resolution for variation of terms of the ESOS 2017 shall disclose full details of the variation, the rationale thereof, and the details of the Employees who are beneficiaries of such variation.

23. Governing Law

- 23.1 This ESOS 2017 and all agreements/documents/letters thereunder shall be subject to all Applicable Laws including the provisions of the Income Tax Act, 1961 and rules/regulations framed thereunder, as amended from time to time.
- 23.2 The approval of the Shareholders of the Bank, by means of a special resolution, is required for this ESOS 2017.
- 23.3 The Grant and the issue of Equity Shares under this ESOS 2017 shall also be subject to the Bank's and/or the Employees' compliance with all Applicable Laws.
- 23.4 The Employee agrees and acknowledges that the Employee has received and read a copy of the ESOS 2017. The Options are subject to the ESOS 2017. Any term of the ESOS 2017 that is contrary to the requirement of the SEBI Regulations or any other Applicable Laws shall not apply to the extent it is contrary.
- 23.5 If any of the provisions mentioned in this ESOS 2017 are determined to be invalid or unenforceable, the remaining provisions shall remain in effect and binding on the parties to the fullest extent permitted by Applicable Laws.
- 23.6 The Courts of Kerala, India shall have the jurisdiction in respect of any and all matters, disputes or differences arising in relation to or out of this ESOS 2017.
- 23.7 Nothing in the above clause will however limit the right of the Bank to bring proceedings against any Employee in connection with the ESOS 2017:
- i. in any other court of competent authority; or
 - ii. concurrently in more than one jurisdiction.

24. Inability to obtain Authority

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

25. Regulations and Approvals

The Grant of any Option pursuant to the ESOS 2017 and the obligation of the Bank to issue Equity Shares with respect to Options Granted under the ESOS 2017 shall be subject to the Applicable Laws and rules and regulations made thereunder and obtaining all such approvals from appropriate governmental agencies as may be deemed necessary or appropriate by the Committee.

The Committee may make such changes to the ESOS 2017 as may be necessary or appropriate to comply with the rules and regulations of any appropriate government authority.

The implementation of the ESOS 2017, granting of any Option under the ESOS 2017 and the issuance of any Equity Shares under this ESOS 2017 shall be subject to the procurement by the Bank and/or the Employees of all approvals and permits required by any regulatory

authorities having jurisdiction over the ESOS 2017. The Employees under this ESOS 2017 will, if requested by the Committee, provide such assurances and representations to the Committee, as the Committee may deem necessary or desirable to ensure compliance with all Applicable Laws and accounting requirements.

26. Notices and Correspondence

All notices of communication required to be given by the Bank to an Employee by virtue of this ESOS 2017 shall be in writing and shall be sent to the address of the Employee available in the records of the Bank and any communication to be given by any Employee to the Bank in respect of the ESOS 2017 shall be sent to the below mentioned address:

The Company Secretary
Secretarial Department
The Federal Bank Limited
Federal Towers
P B No 103, Aluva
Kerala- 683101

27. Consequence of failure to Exercise Option

The amount payable by the Employee, if any, at the time of Grant of Option:

- a. May be forfeited by the Bank if the Option is not Exercised by the Employee within the Exercise Period; or
- b. The amount may be refunded to the Employee if the Options are not Vested due to non-fulfillment of any Vesting Conditions.

28. Indemnification

To the maximum extent permitted by Applicable Laws, the Bank shall indemnify and hold harmless the members of the Committee from and against any and all liabilities, costs and expenses incurred by such persons as a direct result of any act or omission to act in connection with the performance of such person's duties, responsibilities and obligations under the ESOS 2017, other than such liabilities, costs and expenses as may result from the gross negligence, bad faith, willful misconduct or criminal acts of such persons.

29. Confidentiality

The Employees shall maintain the utmost confidentiality regarding the contents of the ESOS 2017 and benefits thereunder at all times and shall not make any announcements to the public or to any third person regarding the arrangements contemplated by the ESOS 2017 and the benefits thereunder, except to the extent as may be required by Applicable Laws.

30. Severability

If any of the provisions mentioned in this ESOS 2017 are determined to be invalid or unenforceable, the remaining provisions shall remain in effect and binding on the parties to the fullest extent permitted by Applicable Laws.

31. Accounting Principles

The Bank shall follow and conform to the applicable accounting policies issued by the Institute of Chartered Accountants of India from time to time and/or accounting policies as per SEBI Regulations.

32. Certificate from Auditors

The Board shall at each annual general meeting of the Bank, place before the Shareholders a certificate from the auditors of the Bank that the ESOS 2017 has been implemented in accordance with the SEBI Regulations and in accordance with the resolution of the Bank passed in the General Meeting.

33. Miscellaneous

- 33.1 No Employee shall have any claim to be Granted any Option, and there is no obligation on the part of the Bank for uniformity of the treatment of Employees or holders or beneficiaries of Options. The terms and conditions of the Options need not be the same with respect to each Option Grantee.
- 33.2 The Option Grantees shall do all such acts necessary and execute all such deeds and documents as may be deemed necessary by the Committee to give effect to the terms of the ESOS 2017.
- 33.3 Corporate Actions: In the event the Bank is involved (i) in a scheme for merger, reconstitution, consolidation, reorganization, exchange of shares, share swaps, share sale and where no such action involves a change in Control of the Bank; (ii) any stock dividend, stock split, reverse stock split, stock combination, rights issue, bonus issues or other changes in the capital structure of the Bank; or (iii) any other event which in the judgment of the Committee necessitates action of making a fair and reasonable adjustment to the number of Options and/ or to the Exercise Price and/ or to the lock-in period, such adjustment shall be made in a manner that the total value of the Options remains the same after the corporate action. In all such corporate actions, the Committee shall ensure, while taking into consideration the global best practices in this area including the procedures followed by the derivate markets in India and abroad, that the Vesting Period and the tenure of the Options shall be left unaltered as far as possible to protect the rights of the Employees and Option Grantees. The decision of the Committee on whether such action is necessary and the extent of such action by the Committee shall be final and binding.
- 33.4 Disclosure requirements: The Board shall make all the relevant disclosures in the Director's report in relation to the ESOS 2017 as are required under Applicable Laws. Further, the Bank and/or the Employees shall make all necessary disclosures prescribed under Applicable Laws pursuant to allotment of Equity Shares after completion of valid Exercise of the Options Granted hereunder.
- 33.5 Transfer or Deputation: In the event that an Employee who has been Granted Options under this ESOS 2017 is transferred or deputed to an Associate Company of the Bank prior to Vesting or Exercise, the Vesting and Exercise as per the terms of Grant shall continue in case of such transferred or deputed Employee even after the transfer or deputation.
- 33.6 This ESOS 2017 shall not confer on any person any legal or equitable rights against the Bank or the Board or the Committee, directly or indirectly, or give rise to any cause of action at law

or in equity against the Bank or the Board or the Committee.

- 33.7 The Bank shall bear the costs of establishing and administering this ESOS 2017, including any costs of the Bank's auditors or any independent financial adviser in relation to the preparation of any confirmation by them or provision of any other service in relation to this ESOS 2017.
- 33.8 The Grant of an Option does not form part of Employee's entitlement to compensation or benefits pursuant to his/ her contract of employment nor does the existence of a contract of employment between any person and the Bank, gives such person any right, entitlement or expectation to have an Option Granted to him in respect of any number of Equity Shares or any expectation that an Option might be Granted to him/ her whether subject to any condition or at all.
- 33.9 Neither the existence of this ESOS 2017 nor the fact that an individual has on any occasion been Granted an Option shall give such individual any right, entitlement or expectation that he/ she has or will in future have any such right, entitlement or expectation to participate in this ESOS 2017 by being Granted an Option on any other occasion.
- 33.10 The rights Granted to an Employee upon the Grant of an Option shall not afford the Employee any additional right to compensation or damages in consequence of the loss or termination of his/ her office or employment with the Bank for any reason whatsoever, whether or not such termination is ultimately held to be wrongful or unfair.
- 33.11 The Employee shall not be entitled to any compensation or damages for any loss or potential loss which he/ she may suffer by reason of being unable to exercise an Option in whole or in part in consequence of the loss or termination of his/ her office or employment with the Bank for any reason whatsoever, whether or not such termination is ultimately held to be wrongful or unfair.
- 33.12 The Employee shall comply with the provisions of 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 Securities Market) Regulations 2003, to the extent applicable, as well as any code of conduct or such similar policy, procedure or system formulated or adopted by the Committee and communicated to the Employee from time to time. Any violation of the Applicable Laws or code of conduct may result in cancellation of all Vested and Unvested Options as well as subject the Employee to disciplinary action at the discretion of the Bank.
- 33.13 The acceptance of the Grant is entirely voluntary and the Bank or the Board or the Committee does not guarantee any return on Equity Shares or Options.
- 33.14 This ESOS 2017 constitutes the entire document in relation to its subject matter and supersedes all prior schemes, agreements and understandings whether oral or written with respect to such subject matter.
- 33.15 Set-off: It is the Bank's obligation to convey to the Employee that the Equity Shares shall be subject to set-off or counterclaim of amounts owed by the Employee to the Bank, to the extent permitted under the Applicable Laws.