



**THE FEDERAL BANK LIMITED**

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**DISCLOSURES IN COMPLIANCE WITH REGULATION 14 OF SECURITIES AND EXCHANGE BOARD OF INDIA (SHARE BASED EMPLOYEE BENEFITS AND SWEAT EQUITY) REGULATIONS, 2021 AND RULE 12 OF COMPANIES (SHARE CAPITAL AND DEBENTURES) RULES, 2014**

- 1. Relevant disclosures in terms of the accounting standards prescribed by the Central Government in terms of section 133 of the Companies Act, 2013 (18 of 2013) including the 'Guidance note on accounting for employee share-based payments' issued in that regard from time to time.**

Disclosed in the notes to financial statements - Refer to Note 3.2 D of Schedule 18 of Standalone Financial Statements 2023-24, 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 is in consonance as per the provisions and requirements under the SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021.

- 3. Diluted EPS on issue of shares pursuant to ESOS**

Diluted earnings per share for the year ended March 31, 2024, is Rs. 15.87 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**

- Description of each ESOS that existed at any time during the year, including the general terms and conditions of each ESOS

Sl. no.	Particulars	ESOS 2010	ESOS 2017	ESOS 2023	ESIS 2023
a.	Details of the Shareholders Approval	December 24, 2010	July 14, 2017	August 18, 2023	August 18, 2023
b.	Total number of Options approved under the scheme	8,28,11,799 [85,51,650 (of face value Rs 10) which is 4,27,58,250 of face value Rs 2 after the stock split w.e.f 19.10.2013) + 4,00,53,549 (Additional shares after Bonus Issue)]	8,62,02,270	1,50,25,028	63,48,603
c.	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	The options granted will vest based on the status of the employee (active/ not in service) on the date of vesting,	The options granted will vest based on the status of the employee (active/ not in service) on	The options granted will vest based on the status of the employee (active/ not in service) on

		performance criteria for the vesting.	subject to the fulfillment of the performance criteria for the vesting.	the date of vesting, subject to the fulfillment of the performance criteria for the vesting.	the date of vesting, subject to the fulfillment of the performance criteria for the vesting.
<b>d.</b>	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.		The Exercise Price shall be the Face Value of the shares
<b>e.</b>	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.	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 four years from the date of Vesting of Options.
<b>f.</b>	Source of Shares	Primary	Primary	Primary	Primary
<b>g.</b>	Variation in terms of options	Nil	Nil	Nil	Nil
	Method used to account for ESOS -	Intrinsic Value	Intrinsic Value except for stock	Intrinsic Value except	Fair value

	Intrinsic or fair value.		options granted to Whole Time Directors/Chief Executive Officers / Material Risk Takers after the accounting period ending March 31, 2021 which are fair valued on the date of grant using the Black-Scholes model.	for stock options granted to Whole Time Directors/Chief Executive Officers / Material Risk Takers	
	The difference between the employee compensation cost computed using intrinsic value method and the employee compensation cost that shall have been recognized if it had used the fair value of the options and the impact of this difference on profits and on EPS.	If "Fair Value Method" had been adopted based on "Black-Scholes pricing model" for pricing and accounting of options, employee compensation cost would have increased by Rs. 19.09 Crore and net profit would have been lower by Rs. 14.27 Crore.		NA	NA
		The modified basic and diluted earnings per share for the year, had the Bank followed Fair Value Method of accounting for ESOS compensation cost would be Rs. 16.00 and Rs. 15.82 respectively.		NA	NA
	Weighted-average exercise prices and 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				
	<b>Weighted average exercise price of Options whose</b>	Rs.122.09	Rs.75.62	NA	-
	Exercise price equals market price	-	Rs.116.85	NA	-
	Exercise price is greater than market price	-	Rs.79.45	NA	Rs.2.00
	Exercise price is less than market price				
	<b>Weighted average fair value of options whose</b>	Rs.38.90	Rs.25.20	NA	-
		-	Rs.13.25	NA	-

Exercise price equals market price				
Exercise price is greater than market price	-	Rs.44.88	NA	Rs.143.60
Exercise price is less than market price				

**B. Employee-wise details of options granted during the financial year 2023-24 to:**

<b>I. Senior Managerial Personnel</b>					
Sl. no.	Name of Employee & Designation	Number of options granted during the year, exercise price			
		ESOS 2010			
a.	Shalini Warriar, Executive Director	90,800, Rs. 125.25			
b.	Harsh Dugar, Executive Director	85,000, Rs. 125.25			
c.	Venkatraman Venkateswaran, Group President & Chief Financial Officer	72,500, Rs. 125.25			
d.	Damodaran C, Chief Risk Officer	25,000, Rs. 125.25			
e.	<a href="#">Samir P Rajdev, Company Secretary</a>	50,000, Rs. 125.25			
f.	Sunil Kumar K N, Chief Compliance Officer	50,000, Rs. 125.25			
<b>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</b>					
Sl. no.	Name of Employee & Designation	Number of options granted during the year, exercise price			
		ESOS 2010	ESOS 2017	ESOS 2023	ESIS 2023
	Nil	NA	NA	NA	NA
<b>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.</b>					
Sl. no.	Name of Employee & Designation	Number of options granted during the year, exercise price			
		ESOS 2010	ESOS 2017	ESOS 2023	ESIS 2023
	Nil	NA	NA	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 except for stock options granted to	Weighted Average Assumptions		
		ESOS 2010	ESOS 2017	ESIS 2023

	Whole Time Directors/Chief Executive Officers / Material Risk Takers and Control Function Staff after the accounting period ending March 31, 2021 which are fair valued on the date of grant using the Black-Scholes model. The Bank also calculates the fair value of options at the time of grant, using Black-Scholes pricing model with the following assumptions:			
	Price of the underlying shares in market at the time of Option granted (Rs.)	28.63 - 125.25	38.3 - 148.10	148.75
	Weighted-average values of share price	122.09	76.05	148.75
	Expected Volatility %	20% - 50%	25%- 50%	25%
	Risk free Rate %	6.75% - 8.5%	5.00% - 7.75%	7.00% - 7.25%
	Exercise Price (Rs.)	28.63 - 125.25	38.3 – 148.10	2
	Expected Life (In Years)	3 years to 5 years	3 years to 4.63 years	2.5 years to 3.5 years
	Expected Dividend %	0.8% - 2%	1% - 2%	0.8%
<b>b.</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.	Volatility is based on historical data over the expected life of the option
<b>c.</b>	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.	It is assumed that the options will be exercised within the exercise period.
<b>d.</b>	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.	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	ESIS 2023
i.	Number of options outstanding at the beginning of the period	15,59,870	7,22,83,662	-
ii.	Number of options granted during the year	55,29,550	1,05,000	25,000
iii.	Number of options exercised during the year	11,39,220	1,48,51,893	-
iv.	Number of shares arising as a result of exercise of options	11,39,220	1,48,51,893	-
v.	Number of options forfeited / lapsed during the year	52,650	17,09,279	-
vi.	Money realized by exercise of options*	<b>7,32,83,327.50</b>	<b>1,38,96,08,499.40</b>	-
vii.	Number of options outstanding at the end of the year	58,97,550	5,58,27,490	25,000
viii.	Number of options exercisable at the end of the year	15,59,870	4,06,46,578	-
ix.	Loan repaid by the Trust during the year from exercise price received	NA	NA	NA

\*Including premium received