Independent Auditor's Report

To the Members of
The Federal Bank Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of The Federal Bank Limited (hereinafter referred as the 'the Bank' or 'Holding Company') and its subsidiaries (Holding Company and subsidiaries together referred to as 'the Group') and its associates which comprise the consolidated Balance Sheet as at March 31, 2021, the consolidated Profit and Loss Account and the consolidated Cash Flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as 'the consolidated financial statements').

In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of reports of other auditors on separate audited financial statements of such associates as were audited by other auditors, the aforesaid consolidated financial statements give the information required by the Banking Regulation Act, 1949 as well as the Companies Act, 2013 ('the Act') in the manner so required for banking Companies and give a true and fair view in conformity with accounting principles generally accepted in India, of the state of affairs of the Group and its associates as at March 31, 2021, of its consolidated profit and consolidated cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit of the consolidated financial statements in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the 'Auditor's Responsibilities for the Audit of the consolidated Financial Statements' section of our report. We are independent of the Group and its associates in accordance with the "Code of Ethics" issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the consolidated financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence obtained by us along with the consideration of audit reports of other auditors referred to in the "Other Matters" paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

Emphasis of Matter

We draw attention to Note No. 1.13 (e) of Schedule 18 to the consolidated financial statements regarding the impact of COVID-19 pandemic on the Bank's operations and financial position, which will depend on various uncertain aspects including actions taken to mitigate the same and other regulatory measures.

Our opinion on the consolidated financial statements is not modified in respect of this matter.

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year ended March 31, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

Description of Key Audit Matters

	Key Audit Matters	How our audit addressed the Key Audit Matters
	Classification of Advances, Identification of Non-Performing Advances, Income Recognition and Provision on Advances (Schedule 9 read with Note 5.2 of Schedule 17 and Note 1.8 of Schedule 18 to the consolidated financial statements)	
(i)	Advances include Bills purchased and discounted, Cash credits, Overdrafts, Loans repayable on demand and Term loans. These are further categorised as secured by Tangible assets (including advances against Book Debts), covered by Bank/ Government Guarantees and Unsecured advances. The Reserve Bank of India ('RBI') has prescribed the 'Prudential Norms on Income Recognition, Asset Classification and Provisioning' in respect of advances for banks ('IRACP Norms'), including circulars in relation to COVID-19 Regulatory Package – Asset Classification and Provisioning.	Our audit approach / procedures towards Classification of Advances, Identification of Non-performing Advances, Income Recognition and Provision on Advances included the following: - Understanding and considering the Bank's accounting policies for NPA identification and provisioning and assessing compliance with the prudential norms prescribed by the RBI (IRACP Norms) including the additional provisions made on advances considering the current uncertain economic environment arising out of COVID 19 pandemic. - Understanding, evaluation and testing the design and operating effectiveness of key controls (including application controls) for identification and provisioning of impaired accounts based on the extant guidelines on IRACP laid down by the RBI.

Independent Auditor's Report (Contd...)

Key Audit Matters

The identification of performing and non-performing advances involves establishment of proper mechanism and the Bank is required to apply significant degree of judgement to identify and determine the amount of provision required against each non-performing asset ('NPA') applying both quantitative as well as qualitative factors prescribed by the regulations.

Significant judgements and estimates for NPA identification and provisioning could give rise to material misstatements on:

- Completeness and timing of recognition of non-performing assets in accordance with criteria as per IRACP norms;
- Measurement of the provision for non-performing assets based on loan exposure, ageing and classification of the loan, realizable value of security;
- Appropriate reversal of unrealized income on the NPAs.

Further, due to the various COVID-19 pandemic restrictions imposed by the Government / Local Authorities during the period of our audit, audit could not be conducted by physically visiting the premises of certain Branches of the Bank. Accordingly, our audit procedures were required to be modified to carry out the audit remotely.

Since the classification of advances, identification of NPAs and creation of provision on advances (including additional provisions arising out of COVID-19 pandemic) and income recognition on advances:

- Requires proper control mechanism and significant level of estimation by the Bank;
- Has significant impact on the overall financial statements of the Bank;
- Could not be entirely covered through personal visits/ physical interaction with relevant branch staff as originally planned;

we have ascertained this area as a Key Audit Matter.

How our audit addressed the Key Audit Matters

- Performing other procedures including substantive audit procedures covering the identification of NPAs by the Bank. These procedures included:

  i. Considering testing of the exception reports generated from the application systems where the advances have been recorded.

  ii. Considering the accounts reported by the Bank and other banks as Special Mention Accounts ("SMA") in RBI's central repository of information on large credits (CRILC) to identify stress.

  iii. Reviewing account statements and other related information of the borrowers selected based on quantitative and qualitative risk factors

  iv. Reading of minutes of management committee and credit committee meetings and performing inquiries with the credit and risk departments to ascertain if there were indicators of stress or an occurrence of an event of default in a loan account or any product

  v. Considering audit reports and memorandum of changes issued by statutory branch auditors.

  vi. Considering Internal Audit, Systems Audit, Credit Audit and Concurrent Audit as per the policies and procedures of the Bank.

  vii. Considering the RBI Annual Financial Inspection report on the Bank, the bank's response to the observations and other communication with RBI during the year.

  viii. Examination of advances including stressed advances on a sample basis with respect to compliance with the RBI Master Circulars / Guidelines.

For Non- performing advances identified, we, based on factors including stressed sectors and account materiality, tested on a sample basis the asset classification dates, reversal of unrealized interest, value of available security and provisioning as per IRACP norms. We recomputed the provision for NPA after considering the key input factors and compared our measurement outcome to that prepared by management.

Wherever physical access to branches was not possible due to restrictions arising from COVID-19 pandemic, we modified our audit procedures to cover review of sample advances based on scanned records/ reports/ documents/ certificates made available to us by the Bank through digital medium, emails and remote access to CBS and other relevant application software over secure network of the Bank. To this extent, the audit process was carried out on the basis of such documents, reports and records made available to us which were relied upon as audit evidence for conducting the audit and reporting for the current period. These audit procedures were supplemented, where relevant, by gathering further evidence through enquiries and discussions with relevant Bank staff using Video Conferencing/ phone calls/ emails and similar communication channels.

Independent Auditor's Report (Contd...)

	Key Audit Matters	How our audit addressed the Key Audit Matters
(ii)	**Valuation of Investments, Identification of and provisioning for Non-Performing Investments (Schedule 8 read with Note 5.1 of Schedule 17 to the consolidated financial statements)**	
	Investments include investments made by the Bank in various Government Securities, Bonds, Debentures, Shares, Security receipts and other approved securities. RBI Circulars and directives, inter-alia, cover valuation of investments, classification of investments, identification of non-performing investments, non-recognition of income and provisioning against non-performing investments. The valuation of each category (type) of the aforesaid securities is to be done as per the method prescribed in circulars and directives issued by the RBI which involves collection of data/information from various sources such as FIMMDA rates, rates quoted on BSE/NSE, financial statements of unlisted companies etc. We identified valuation of investments and identification of NPI as a Key Audit Matter because of the management judgement involved in determining the value of certain investments (Bonds and Debentures, Pass-through certificates) based on applicable Regulatory guidelines and the Bank's policies, impairment assessment for HTM book based on management judgement, the degree of regulatory focus and the overall significance to the financial results of the Bank.	Our audit approach/procedures towards Investments with reference to the RBI Circulars/directives included the understanding of internal controls and substantive audit procedures in relation to valuation, classification, identification of non-performing investments (NPIs) and provisioning/ depreciation related to Investments. In particular - - We evaluated and understood the Bank's internal control system to comply with relevant RBI guidelines regarding valuation, classification, identification of NPIs, reversal of income on NPIs and provisioning/ depreciation related to investments; - We assessed and evaluated the process adopted for collection of information from various sources for determining market value of these investments; - For the selected sample of investments in hand, we tested accuracy and compliance with the RBI Master Circulars and directions by re-performing valuation for each category of the security; - We carried out substantive audit procedures to recompute independently the provision to be maintained in accordance with the circulars and directives of the RBI. Accordingly, we selected samples from the investments of each category and tested for NPIs as per the RBI guidelines and recomputed the provision to be maintained and if accrual of income is in accordance with the RBI Circular for those selected sample of NPIs; - We tested the mapping of investments between the Investment application software and the financial statement preparation software to ensure compliance with the presentation and disclosure requirements as per the aforesaid RBI Circular/directions.
(iii)	**Information Technology ('IT') Systems and Controls for financial reporting**	
	The Bank's key financial accounting and reporting processes are highly dependent on information systems including automated controls in systems, such that there exists a risk that gaps in the IT control environment could result in the financial accounting and reporting records being materially misstated. The Bank uses several systems for its overall financial reporting and there is a large volume of transactions being recorded at multiple locations daily. In addition, there are increasing challenges to protect the integrity of the Bank's systems and data since cyber security has become a more significant risk in recent periods. Further, the prevailing COVID-19 situation, has caused the required IT applications to be made accessible on a remote basis.	As a part of our audit procedures for review of the Bank's IT systems and related controls for financial reporting: - We tested the design and operating effectiveness of the Bank's IT access controls over the information systems that are critical to financial reporting, on a sample basis. - We tested IT general controls of the Bank (logical access, changes management and aspects of IT operational controls), on a sample basis. This included testing that requests for access to systems were reviewed and authorized. We inspected requests of changes to systems for approval and authorisation. We considered the control environment relating to various interfaces, configuration and other application layer controls identified as key to our audit.

Independent Auditor's Report (Contd...)

	Key Audit Matters	How our audit addressed the Key Audit Matters
	Due to the pervasive nature and complexity of the IT environment as well as its importance in relation to accurate and timely financial reporting, we have identified this area as a Key Audit Matter.	- In addition to the above, we tested the design and operating effectiveness of certain automated controls that were considered as key internal controls over financial reporting for the Bank. Where deficiencies were identified, we sought explanations regarding compensating controls or performed alternate audit procedures. In addition, we understood where relevant, changes made to the IT landscape during the audit period and tested those changes that had a significant impact on financial reporting.
(iv)	**Assessment of Provisions and Contingent Liabilities (Refer note 5.13 & 5.20 of Schedule 17 to the consolidated financial statements)**	
	Assessment of Provisions and Contingent liabilities in respect of certain litigations including Direct and Indirect Taxes, various claims filed by other parties not acknowledged as debt (Schedule 12 to the consolidated financial statements) and various employee benefits schemes (Schedule 5 to the consolidated financial statements) was identified as a significant audit area. There is high level of judgement involved in estimating the level of provisioning required as well as in the disclosure of both Provisions and Contingent Liabilities in respect of tax matters and other legal claims. The Bank's assessment is supported by the facts of matter, their own judgment, past experience, and advice from legal and independent tax consultants wherever considered necessary. Accordingly, unexpected adverse outcomes may significantly impact the Bank's reported profit and state of affairs presented in the Balance Sheet. The valuations of the employee benefit liabilities are calculated with reference to multiple actuarial assumptions and inputs including discount rate, rate of inflation and mortality rates. The valuation of funded assets in respect of the same is also sensitive to changes in the assumptions. We determined the above area as a Key Audit Matter in view of associated uncertainty relating to the outcome of the matters which requires application of judgment in interpretation of law, circumstances of each case and estimates involved.	Our audit approach / procedures involved: - Obtaining an understanding of internal controls relevant to the identification of litigations and legal cases to be reported by the Bank; - Understanding the current status of the litigations/tax assessments for the Bank; - Examining recent orders and/or communication received from various tax authorities/ judicial forums and follow up action thereon; - Evaluating the merit of the subject matter under consideration with reference to the grounds presented therein and available independent legal / tax advice including opinion of the Bank's tax consultants; - Review and analysis of evaluation of the contentions of the Bank through discussions, collection of details of the subject matter under consideration, the likely outcome and consequent potential outflows on those issues; and - Testing the design and operating effectiveness of key controls over the completeness and accuracy of the data, the measurement of the fair value of the schemes' assets, understanding the judgements made in determining the assumptions used by management to value the employee liabilities with specific schemes and market practice. - Our audit procedures included an assessment of the assumptions used by the actuary by comparing life expectancy assumptions with relevant mortality tables, benchmarking inflation and discount rates against external market data. We verified the value of plan assets to the statements provided by asset management companies managing the plan assets. Verification of disclosures related to significant litigations, taxation matters and Employee benefits liabilities in the consolidated financial statements.

Independent Auditor's Report (Contd...)

Information other than the consolidated Financial Statements and Auditor's Report Thereon

The Bank's Board of Directors is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the consolidated financial statements and our auditor's report thereon. The Bank's annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. When we read the Bank's annual report, if we conclude that there is a material misstatement of this other information, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the consolidated Financial Statements

The Bank's Board of Directors is responsible for the matters stated in section 134(5) of the Act, with respect to the preparation and presentation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group including its associates in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 in so far as they apply to the Bank and provisions of Section 29 of the Banking Regulation Act, 1949 and circulars and guidelines issued by the Reserve Bank of India ('RBI') from time to time. The respective Board of Directors of the entities included in the Group and of its associates are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Group and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Bank, as aforesaid.

In preparing the consolidated financial statements, the respective Board of Directors of the entities included in the Group and of its associates are responsible for assessing the ability of the Group and of its associates to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The respective Board of Directors of the entities included in the Group and of its associates are also responsible for overseeing the financial reporting process of the Group and of its associates.

Auditor's Responsibilities for the audit of the consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Independent Auditor's Report (Contd...)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Bank has adequate internal financial controls system with reference to consolidated financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures in the consolidated financial statements made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the appropriateness of this assumption. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and its associates to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of such entities or business activities within the Group and its associates to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of financial information of such entities included in consolidated financial statements of which we are the independent auditors. For the other entities included in the consolidated financial statements, which have been audited by other auditors, such other auditors remain responsible for the direction, supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion. Our responsibilities in this regard are further described under 'Other Matters' in this audit report

We communicate with those charged with governance of the Bank and such other entities included in the consolidated financial statements of which we are the independent auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the financial year ended March 31, 2021 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matters

I. We did not audit the financial statements of 614 Branches included in the consolidated financial statements of the Bank whose financial statements reflect total assets of 84157 crores as at March 31, 2021 and total revenue of Rs.3755 crores for the year ended on that date, as considered in the consolidated financial statements. The financial statements of these branches have been audited by branch auditors whose reports have been furnished to us, and our opinion in so far as it relates to the amounts and disclosures included in respect of these branches, is based solely on the reports of such branch auditors.

II. The audit of financial statements of two subsidiaries, whose financial statements reflect total assets of Rs. 5424.84 crores as at 31 March 2021, total revenues of Rs. 722.81 crores and total net profits after tax of Rs.60.43 crores for the year ended 31 March 2021 and net cash inflow amounting to Rs. 384.31 crores for the year ended on that date, as considered in the consolidated financial statements have been carried out by one of the joint auditors whose reports have been furnished to us by the Management and our opinion on the Consolidated Financial Statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries, is based solely on the reports of the said joint auditor.

Independent Auditor's Report (Contd...)

III. The consolidated financial statements also include the Group's share of net profit of Rs. 32.36 crore for the year ended 31 March 2021, as considered in the consolidated financial statements, in respect of two associates, whose financial statements have not been audited by us. These financial statements have been audited by other auditors whose report has been furnished to us by the Management and our opinion on the consolidated financial statements, insofar as it relates to the amounts and disclosures included in respect of its associates and our report in terms of subsection (3) of Section 143 of the Act, insofar as it relates to the aforesaid associates is based solely on the report of the other auditors.

IV. The consolidated financial statements of the Bank for the year ended March 31, 2020 were audited by predecessor auditors whose report dated May 28, 2020 expressed an unmodified opinion on those consolidated financial statements.

Our opinion on the consolidated financial statements and our Report on Other Legal and Regulatory Requirements below is not modified in respect of the above matters and with respect to our reliance on the work done and the reports of the other auditors.

Report on Other Legal and Regulatory Requirements

As required by section 143(3) of the Act, based on our audit and the consideration of the reports of the other auditors on separate financial statements of such subsidiaries and associates as were audited by other auditors, as noted in the 'Other Matters' paragraph, we report that, to the extent applicable, that:

a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit of the aforesaid consolidated financial statements;

b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept by the Bank so far as it appears from our examination of those books and the reports of the other auditors;

c) The consolidated Balance Sheet, the consolidated Profit and Loss Account, the consolidated Cash Flow Statement dealt with by this report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements;

d) In our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, to the extent they are not inconsistent with the accounting policies prescribed by RBI;

e) On the basis of written representations received from the directors as on March 31, 2021 and taken on record by the Board of Directors of the Bank and the reports of the statutory auditors of its subsidiaries and associates none of the directors of the Group companies and its associates is disqualified as on March 31, 2021 from being appointed as a director in terms of Section 164(2) of the Act;

f) With respect to the adequacy of the internal financial controls over financial reporting of the Bank with reference to the financial statements of the Bank, its subsidiaries and its associates incorporated in India and the operating effectiveness of such controls, refer to our separate Report in "Annexure A" to this report;

g) In our opinion, being a banking company, the remuneration to its directors during the year ended March 31, 2021 has been paid/provided by the Bank in accordance with the provisions of section 35B (1) of the Banking Regulation Act, 1949, and;

In our opinion and according to the information and explanations given to us and based on the report of the statutory auditors of subsidiaries and associates which were not audited by us, the remuneration paid during the current year by the subsidiary companies and an associate company to their directors is in accordance with the provisions of Section 197 of the Act. The auditors of Ageas Federal Life Insurance Company Limited, (Formerly known as IDBI Federal Life Insurance Company Limited)

Independent Auditor's Report (Contd...)

('the associate') have reported, managerial remuneration is governed u/s 34A of the Insurance Act, 1938 and requires IRDAI approval. Accordingly, the provisions of Section 197 read with schedule V to the Act are not applicable, and hence reporting under Section 197(16) is not required.

h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended, in our opinion and to the best of our information and according to the explanations given to us:

i. The consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group and its associates - Refer Schedule 12 and Note No 1.14 under Schedule 18 to the consolidated financial statements;

ii. Provision has been made in the consolidated financial statements, as required under the applicable law or accounting standards, for material foreseeable losses, on long-term contracts including derivative contracts - Refer Note 1.15 under Schedule 18 to the consolidated financial statements; and

iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Bank or its subsidiaries and associates during the year ended 31 March 2021.

For Varma & Varma
Chartered Accountants
FRN: 004532S

R Rajasekharan
Partner
M. No.22703
UDIN:21022703AAAAAG4631

Kochi-19
May 17, 2021

For Borkar & Muzumdar
Chartered Accountants
FRN: 101569W

Devang Vaghani
Partner
M. No. 109386
UDIN: 1109386AAAAEW6536

Mumbai-55
May 17, 2021

Independent Auditor's Report (Contd...)

ANNEXURE A TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE CONSOLIDATED FINANCIAL STATEMENTS OF THE FEDERAL BANK LIMITED

Report on the Internal Financial Controls Over Financial Reporting with reference to consolidated financial statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting with reference to consolidated financial statements of The Federal Bank Limited ('the Bank'), its subsidiary companies and its associates which are companies incorporated in India, as at March 31, 2021 in conjunction with our audit of the consolidated financial statements of the Bank for the year ended on that date.

Management's Responsibility for Internal Financial Controls over Financial Reporting

The Respective Board of Directors of the Bank, its subsidiaries and associates which are companies incorporated in India, are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the respective companies considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditor's Responsibility

Our responsibility is to express an opinion on the Bank's internal financial controls over financial reporting with reference to the consolidated financial statements based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting ('the Guidance Note') and the Standards on Auditing as specified under section 143 (10) of the Companies Act, 2013 to the extent applicable to an audit of internal financial controls, both applicable to an audit of internal financial controls and both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditors of the relevant subsidiaries and associates, in terms of their report referred to in the Other Matters paragraph below is sufficient and appropriate to provide a basis for our audit opinion on the Bank's internal financial controls system over financial reporting with reference to consolidated financial statements.

Meaning of Internal Financial Controls Over Financial Reporting

A bank's internal financial control over financial reporting with reference to consolidated financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A bank's internal financial control over financial reporting with reference to consolidated financial statements includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the bank; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the bank are being made only in accordance with authorizations of management and directors of the bank; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the bank's assets that could have a material effect on the consolidated financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting with reference to consolidated financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial

Independent Auditor's Report (Contd...)

reporting with reference to consolidated financial statements to future periods are subject to the risk that the internal financial control over financial reporting with reference to consolidated financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Bank, its subsidiary and its associate companies have, in all material respects, an adequate internal financial controls system over financial reporting with reference to consolidated financial statements and such internal financial controls over financial reporting were operating effectively as at March 31, 2021, based on the internal control over financial reporting with reference to consolidated financial statements criteria established by the respective companies considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India.

Other Matters

1. Our aforesaid report under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting in so far as it relates to its subsidiaries and associates, which are companies incorporated in India, is based on the corresponding reports of the auditors of such companies.

2. Our aforesaid report in so far as it relates to the operating effectiveness of internal financial controls over financial reporting of 614 branches of the Bank is based on the corresponding reports of the respective branch auditors of those branches of the Bank.

Our opinion on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Act is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors.

For Varma & Varma
Chartered Accountants
FRN: 004532S

R Rajasekharan
Partner
M. No.22703
UDIN:21022703AAAAAG4631

Kochi-19
May 17, 2021

For Borkar & Muzumdar
Chartered Accountants
FRN: 101569W

Devang Vaghani
Partner
M. No. 109386
UDIN: 1109386AAAAEW6536

Mumbai-55
May 17, 2021

Consolidated Balance Sheet

as at March 31, 2021

(₹ in Thousand)

	Schedule	As at March 31, 2021	As at March 31, 2020
CAPITAL AND LIABILITIES			
Capital	1	3,992,301	3,985,325
Reserves and surplus	2	161,029,972	144,238,256
Minority interest	2A	2,167,336	1,809,643
Deposits	3	1,721,861,042	1,522,519,073
Borrowings	4	122,706,009	125,277,199
Other Liabilities and provisions	5	37,908,610	35,703,762
TOTAL		**2,049,665,270**	**1,833,533,258**
ASSETS			
Cash and balances with Reserve Bank of India	6	76,545,101	61,825,426
Balances with banks and money at call and short notice	7	121,612,248	65,747,653
Investments	8	367,316,744	357,153,933
Advances	9	1,355,144,123	1,248,494,994
Fixed assets	10	5,174,870	5,048,118
Other assets	11	123,872,184	95,263,134
TOTAL		**2,049,665,270**	**1,833,533,258**
Contingent liabilities	12	364,270,082	344,638,154
Bills for collection		39,772,224	37,676,464
Significant accounting policies	17		
Notes on accounts	18		
Schedules referred to above form an integral part of the Consolidated Balance Sheet			

For and on behalf of the Board of Directors

Krishnakumar K
Executive Vice President

Samir P Rajdev
Company Secretary

Ashutosh Khajuria
Executive Director & CFO
(DIN: 05154975)

Shalini Warrier
Executive Director
(DIN: 08257526)

Venkatraman Venkateswaran
Group President

Grace Elizabeth Koshie
Chairperson
(DIN: 06765216)

Shyam Srinivasan
Managing Director & CEO
(DIN: 02274773)

As per our report of even date

For Varma & Varma
Chartered Accountants
Firm's Registration No:
004532S

R Rajasekharan
Partner
Membership No: 22703
Place: Kochi

For Borkar & Muzumdar
Chartered Accountants
Firm's Registration No:
101569W

Devang Vaghani
Partner
Membership No: 109386
Place: Mumbai

Directors:

C Balagopal (DIN: 00430938)
A P Hota (DIN: 02593219)
K Balakrishnan (DIN: 00034031)
Siddhartha Sengupta (DIN: 08467648)
Manoj Fadnis (DIN: 01087055)
Sudarshan Sen (DIN: 03570051)
Varsha Vasant Purandare (DIN: 05288076)

Place: Kochi
Date : May 17, 2021

Consolidated Profit and Loss Account

for the year ended March 31, 2021

(₹ in Thousand)

		Schedule	Year ended March 31, 2021	Year ended March 31, 2020
I.	**INCOME**			
	Interest earned	13	143,140,755	135,903,904
	Other income	14	19,578,598	18,818,113
	TOTAL		**162,719,353**	**154,722,017**
II.	**EXPENDITURE**			
	Interest expended	15	84,349,581	86,783,092
	Operating expenses	16	38,986,638	35,467,071
	Provisions and contingencies		22,911,075	16,944,181
	TOTAL		**146,247,294**	**139,194,344**
III.	**NET PROFIT FOR THE YEAR**		**16,472,059**	**15,527,673**
	Less: Minority interest		152,363	102,800
	Add: Share in Profit of Associates		323,642	377,087
IV.	**CONSOLIDATED NET PROFIT ATTRIBUTABLE TO GROUP**		**16,643,338**	**15,801,960**
	Balance in Profit and Loss Account brought forward from previous year		27,417,347	22,747,623
	Less: Minority interest pertaining to Pre-acquisition profit (Note 2 of Schedule 17)		-	69,757
V.	**AMOUNT AVAILABLE FOR APPROPRIATION**		**44,060,685**	**38,479,826**
VI.	**APPROPRIATIONS**			
	Transfer to Revenue Reserve		2,295,718	1,474,611
	Transfer to Statutory Reserve		3,975,743	3,856,953
	Transfer to Capital Reserve		1,534,458	1,358,289
	Transfer to Special Reserve		1,209,900	960,000
	Transfer to Reserve fund		86,730	58,502
	Dividend pertaining to previous year paid during the year (Note 1.1 E of Schedule 18)		-	2,782,229
	Tax on dividend (Note 1.1 E of Schedule 18)		-	571,895
	Balance carried over to Consolidated Balance Sheet		34,958,136	27,417,347
	TOTAL		**44,060,685**	**38,479,826**
	Earnings per share (Face value of ₹ 2/- each) (₹) (Note 1.6 of Schedule 18)			
	Basic		8.34	7.94
	Diluted		8.31	7.88
	Significant accounting policies	17		
	Notes on accounts	18		
	Schedules referred to above form an integral part of the Consolidated Profit and Loss account			

For and on behalf of the Board of Directors

Krishnakumar K
Executive Vice President

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Company Secretary

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(DIN: 05154975)

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As per our report of even date

For Varma & Varma
Chartered Accountants
Firm's Registration No:
004532S

For Borkar & Muzumdar
Chartered Accountants
Firm's Registration No:
101569W

R Rajasekharan
Partner
Membership No: 22703
Place: Kochi

Devang Vaghani
Partner
Membership No: 109386
Place: Mumbai

Directors:

C Balagopal (DIN: 00430938)
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Manoj Fadnis (DIN: 01087055)
Sudarshan Sen (DIN: 03570051)
Varsha Vasant Purandare (DIN: 05288076)

Place: Kochi
Date : May 17, 2021

Consolidated Cash Flow Statement

for the year ended March 31, 2021

(₹ in Thousand)

	Year ended March 31, 2021	Year ended March 31, 2020
Cash Flow from Operating Activities		
Net Profit before taxes	22,256,900	20,873,947
Adjustments for:		
Depreciation on Group's Property	1,149,202	1,257,270
Depreciation on Investments	147,350	635,001
Amortisation of Premium on Held to Maturity Investments	1,421,890	740,116
Provision for Non Performing Investments	39,038	53,733
Provision / Charge for Non Performing Assets	15,436,804	10,124,852
Provision for Standard Assets	1,592,599	1,118,079
(Profit)/ Loss on sale of fixed assets (net)	(17,989)	(51,724)
(Income) / Loss From Associates	(323,642)	(377,087)
Provision for Restructured assets	(15,966)	(103,017)
Provision for Other Contingencies	97,688	43,545
	41,783,874	**34,314,715**
Adjustments for working capital changes:-		
(Increase)/ Decrease in Investments [excluding Held to Maturity Investments]	26,435,688	4,022,630
(Increase)/ Decrease in Advances	(122,085,933)	(143,260,641)
(Increase)/ Decrease in Other Assets	(28,001,726)	(26,143,694)
Increase/ (Decrease) in Deposits	199,341,969	173,729,752
Increase/ (Decrease) in Other liabilities and provisions	596,736	1,653,577
	76,286,734	**10,001,624**
Direct taxes paid	(6,287,094)	(7,010,671)
Net Cash Flow from / (Used in) Operating Activities	**111,783,514**	**37,305,668**
Cash Flow from Investing Activities		
Purchase of Fixed Assets	(1,299,307)	(1,544,635)
Proceeds from Sale of Fixed Assets	41,342	90,301
Investment in Subsidiary	586,080	(642,000)
Investment in Associate	7,997	(6,661)
(Increase)/ Decrease in Held to Maturity Investments	(38,477,212)	(44,822,694)
Net Cash generated / (Used in) Investing Activities	**(39,141,100)**	**(46,925,689)**

Consolidated Cash Flow Statement (Contd...)
for the year ended March 31, 2021

(₹ in Thousand)

	Year ended March 31, 2021	Year ended March 31, 2020
Cash Flow from Financing Activities		
Proceeds from Issue of Share Capital	6,976	15,229
Proceeds from Share Premium	129,293	825,666
Increase / (Decrease) in Minority Interest	357,693	913,658
Proceeds from Issue of Subordinate Debt	-	3,000,000
Increase/(Decrease) in Borrowings (Excluding Subordinate Debt)	(2,571,190)	35,214,286
Dividend Paid (Including Tax on Dividend)	-	(3,354,125)
Net Cash generated from financing Activities	**(2,077,228)**	**36,614,714**
Effect of exchange fluctuation on translation reserve	**19,084**	**43,697**
Increase/(Decrease) in Cash and Cash Equivalents	**70,584,270**	**27,038,390**
Cash and Cash Equivalents at the beginning of the year	**127,573,079**	**100,534,689**
Cash and Cash Equivalents at the end of the year	**198,157,349**	**127,573,079**

Note:

Cash and Cash Equivalents comprise of Cash in hand (including foreign currency notes), Balances with Reserve Bank of India, Balances with banks and money at call and short notice (Refer Schedules 6 and 7 of the Consolidated Balance Sheet)

For and on behalf of the Board of Directors

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Executive Vice President

Samir P Rajdev
Company Secretary

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Executive Director & CFO
(DIN: 05154975)

Shalini Warrier
Executive Director
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As per our report of even date

For Varma & Varma
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Sudarshan Sen (DIN: 03570051)
Varsha Vasant Purandare (DIN: 05288076)

Place: Kochi
Date : May 17, 2021

Schedules Forming Part of The Consolidated Balance Sheet

SCHEDULE 1 - CAPITAL

(₹ in Thousand)

	As at March 31, 2021	As at March 31, 2020
Authorised Capital	8,000,000	5,000,000
4,000,000,000 (Previous year 2,500,000,000) Equity Shares of ₹ 2/- each		
Issued Capital	3,994,991	3,988,015
1,997,495,543 (Previous year 1,994,007,367) Equity Shares of ₹ 2/-each		
Subscribed, Called-up and Paid-up Capital	3,992,305	3,985,329
1,996,152,748 (Previous year 1,992,664,572) Equity Shares of ₹2/-each		
Less: Calls in arrears	4	4
Total	**3,992,301**	**3,985,325**

Refer Note 1.1 of Schedule 18

SCHEDULE 2 - RESERVES AND SURPLUS

(₹ in Thousand)

			As at March 31, 2021	As at March 31, 2020
I.	**Statutory Reserve**			
	Opening balance		29,833,982	25,977,029
	Additions during the year		3,975,744	3,856,953
			33,809,726	**29,833,982**
II.	**Capital Reserves**			
	(a)	Revaluation Reserve		
		Opening balance	50,091	50,091
		Additions during the year	-	-
			50,091	**50,091**
	(b)	Others		
		Opening balance	5,046,005	3,687,716
		Additions during the year*	1,534,458	1,358,289
			6,580,463	**5,046,005**
			6,630,554	**5,096,096**
III.	**Share premium** (Also refer Note 1.1 of Schedule 18)			
	Opening balance		53,173,992	52,348,326
	Additions during the year		130,995	844,463
	Deductions during the year		1,702	18,797
			53,303,285	**53,173,992**
IV.	**Revenue and Other Reserves**			
	(a)	Revenue Reserve		
		Opening Balance	20,170,491	18,695,880
		Additions during the year	2,295,718	1,474,611
		Deductions during the year	-	-
			22,466,209	**20,170,491**
	(b)	Investment Fluctuation Reserve		
		Opening Balance	1,897,200	1,897,200
		Additions during the year	-	-
			1,897,200	**1,897,200**

Schedules Forming Part of The Consolidated Balance Sheet (Contd...)

(₹ in Thousand)

	As at March 31, 2021	As at March 31, 2020
(c) Special Reserve (As per section 36(1)(viii) of Income Tax Act, 1961)		
Opening balance	6,039,900	5,079,900
Additions during the year	1,209,900	960,000
	7,249,800	**6,039,900**
V. Foreign Currency Translation Reserve		
Opening Balance	63,488	19,791
Additions / (Deductions) during the year [Refer Schedule 17 (5.6)]	19,084	43,697
	82,572	**63,488**
VI. Contingency Reserve		
Opening balance	301,003	301,003
	301,003	**301,003**
VII. Reserve Fund		
Opening balance	243,993	207,032
Additions during the year	86,730	79,057
Deductions during the year	-	42,096
	330,723	**243,993**
VIII. General Reserve		
Opening balance	764	853
Additions during the year	-	-
Deductions during the year	-	89
	764	**764**
IX. Balance in Consolidated Profit and Loss Account	**34,958,136**	**27,417,347**
Total	**161,029,972**	**144,238,256**

** - Includes Profit appropriated to Capital Reserve (net of applicable taxes and transfer to statutory reserve) on :*
a) Gain on sale of Held to Maturity Investments ₹ 1,523,907 Thousands (Previous year ₹ 1,336,850 Thousands)
b) Profit on sale of Premises ₹ 10,551 Thousands (Previous year ₹ 21,439 Thousands)

SCHEDULE 2A - MINORITY INTEREST

(₹ in Thousand)

	As at March 31, 2021	As at March 31, 2020
Minority interest at the date on which parent-subsidiary relationship came into existence	786,638	786,638
Subsequent increase	1,380,698	1,023,005
Total	**2,167,336**	**1,809,643**

Schedules Forming Part of The Consolidated Balance Sheet (Contd...)

SCHEDULE 3 - DEPOSITS

(₹ in Thousand)

	As at March 31, 2021	As at March 31, 2020
A. I. Demand Deposits		
i. From Banks	4,583,310	2,201,459
ii. From Others	113,320,966	79,815,030
	117,904,276	**82,016,489**
II. Savings Bank Deposits	**468,522,891**	**385,344,370**
III. Term Deposits		
i. From Banks	26,909,515	31,507,478
ii. From Others	1,108,524,360	1,023,650,736
	1,135,433,875	**1,055,158,214**
Total	**1,721,861,042**	**1,522,519,073**
B. I. Deposits of branches in India	1,721,819,135	1,521,643,190
II. Deposits of branches outside India	41,907	875,883
Total	**1,721,861,042**	**1,522,519,073**

SCHEDULE 4 - BORROWINGS

(₹ in Thousand)

	As at March 31, 2021	As at March 31, 2020
I. Borrowings in India		
i. Reserve Bank of India	-	19,880,000
ii. Other Banks	35,555,016	20,314,686
iii. Other institutions and agencies	65,459,065	59,347,522
Total	**101,014,081**	**99,542,208**
II. Borrowings outside India	**21,691,928**	**25,734,991**
Total	**122,706,009**	**125,277,199**
a) Secured borrowings included in I and II above	88,526,605	101,338,611
b) Tier II bond included in I(ii) & I(iii) above	3,105,000	3,000,000

SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS

(₹ in Thousand)

	As at March 31, 2021	As at March 31, 2020
I. Bills Payable	4,980,825	1,803,851
II. Inter - office adjustments (Net)	-	-
III. Interest accrued	2,472,313	3,104,896
IV. Others (including provisions)*	30,455,472	30,795,015
Total	**37,908,610**	**35,703,762**
**Includes*		
(a) General provision for standard assets	7,529,203	6,405,053
(b) Deferred Tax Liability	-	66,209

Schedules Forming Part of The Consolidated Balance Sheet (Contd...)

SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA

(₹ in Thousand)

	As at March 31, 2021	As at March 31, 2020
I. Cash in hand (including foreign currency notes)	16,746,615	13,813,235
II. Balance with Reserve Bank of India		
i. in Current Accounts	59,798,486	48,012,191
ii. in Other Accounts	-	-
Total	**76,545,101**	**61,825,426**

SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE

(₹ in Thousand)

	As at March 31, 2021	As at March 31, 2020
I. In India		
i. Balances with banks		
a. in Current Accounts	6,690,910	8,426,874
b. in Other Deposit Accounts	3,570,372	1,880,000
ii. Money at call and short notice		
a. With Banks	-	2,750,000
b. With other institutions	38,500,000	38,250,000
Total	**48,761,282**	**51,306,874**
II. Outside India		
i. in Current Accounts	12,060,693	5,704,165
ii. in Other Deposit Accounts	60,351,613	7,374,644
iii. Money at call and short notice	438,660	1,361,970
Total	**72,850,966**	**14,440,779**
Grand Total (I and II)	**121,612,248**	**65,747,653**

Schedules Forming Part of The Consolidated Balance Sheet (Contd...)

SCHEDULE 8 - INVESTMENTS

(₹ in Thousand)

	As at March 31, 2021	As at March 31, 2020
I. Investments in India in :		
i. Government Securities ##	327,826,425	317,607,101
ii. Other approved Securities	-	-
iii. Shares#	4,418,463	4,342,661
iv. Debentures and Bonds	19,607,863	14,686,492
v. Joint Venture*	2,763,618	2,453,062
vi. Others @	11,855,402	17,303,679
Total	**366,471,771**	**356,392,995**
II. Investments outside India		
i. Government Securities (including Local authorities)	840,738	756,555
ii. Subsidiaries / Joint Ventures abroad	-	-
iii. Other investments (Shares)	4,235	4,383
Total	**844,973**	**760,938**
Grand Total (I and II)	**367,316,744**	**357,153,933**
Gross Investments		
In India	370,805,482	360,825,605
Outside India	844,973	760,938
Total	**371,650,455**	**361,586,543**
Depreciation/ Provision for Investments		
In India	4,333,711	4,432,610
Outside India	-	-
Total	**4,333,711**	**4,432,610**
Net Investments		
In India	366,471,771	356,392,995
Outside India	844,973	760,938
Total	**367,316,744**	**357,153,933**

Securities costing ₹ 91,902,027 Thousands (Previous Year ₹ 70,234,352 Thousands) pledged for availment of fund transfer facility, clearing facility and margin requirements.

 # Includes Cost of Investment in Associate amounting to ₹ 226,857 Thousands (Previous Year ₹ 66,239 Thousands) including Goodwill of ₹ 146,709 Thousands (Previous Year ₹ 45,582 Thousands)

** represents investment accounted as an associate in line with AS -23 , Accounting of Investments in Associates in Consolidated Financial Statements , prescribed under Section 133 of the Companies Act, 2013 [Refer Schedule 17, Note 2 (iv)].*

@ Comprises of:

(₹ in Thousand)

Particulars	As at March 31, 2021	As at March 31, 2020
Pass through certificates (PTCs)	3,319,135	3,179,372
Certificate of Deposits	4,998,672	8,426,645
Commercial Paper	484,080	1,952,494
Venture Capital Funds (VCFs)	1,102,906	963,367
Security Receipts	1,600,621	2,381,801
Mutual Fund	349,988	400,000
Others	-	-
Total	**11,855,402**	**17,303,679**

Schedules Forming Part of The Consolidated Balance Sheet (Contd...)

SCHEDULE 9 - ADVANCES

(₹ in Thousand)

					As at March 31, 2021	As at March 31, 2020
A.	i.	Bills purchased and discounted			48,623,002	50,037,816
	ii.	Cash credits, overdrafts and loans repayable on demand			551,041,833	554,542,514
	iii.	Term loans			755,479,288	643,914,664
Total					**1,355,144,123**	**1,248,494,994**
B.	i.	Secured by tangible assets*			1,098,734,868	1,041,671,392
	ii.	Covered by Bank/Government guarantees #			18,370,850	23,853,476
	iii.	Unsecured			238,038,405	182,970,126
Total					**1,355,144,123**	**1,248,494,994**
C.	I.	Advances in India				
		i.	Priority sectors		356,182,092	296,524,927
		ii.	Public sector		805,144	1,307,504
		iii.	Banks		9,155,519	3,500,000
		iv.	Others		971,035,654	923,619,663
Total					**1,337,178,409**	**1,224,952,094**
C.	II.	Advances outside India				
		i.	Due from Banks		1,526,508	808,103
		ii.	Due from Others			
			a)	Bills purchased and discounted	-	-
			b)	Syndicated Loans	5,657,157	9,326,488
			c)	Others	10,782,049	13,408,309
Total					**17,965,714**	**23,542,900**
Grand Total (C I and C II)					**1,355,144,123**	**1,248,494,994**

** Includes Advances against book debts*

 # Includes Advances against Letter of credit issued by banks

(Advances are net of provisions)

Schedules Forming Part of The Consolidated Balance Sheet (Contd...)

SCHEDULE 10 - FIXED ASSETS

(₹ in Thousand)

		As at March 31, 2021	As at March 31, 2020
A.	**Premises #**		
	Gross Block		
	At the beginning of the year	2,402,232	2,416,139
	Additions during the year	39,600	-
	Deductions during the year	5,283	13,907
	At the end of the year	**2,436,549**	**2,402,232**
	Depreciation		
	As at the beginning of the year	982,845	946,441
	Charge for the year	43,492	45,917
	Deductions during the year	2,886	9,513
	Depreciation to date	**1,023,451**	**982,845**
	Net Block	**1,413,098**	**1,419,387**
B.	**Other fixed assets**		
	(including furniture and fixtures)		
	Gross Block		
	At the beginning of the year	12,232,112	11,825,450
	Additions during the year	1,405,023	1,452,041
	Deductions during the year	265,449	1,045,379
	At the end of the year	**13,371,686**	**12,232,112**
	Depreciation		
	As at the beginning of the year	8,879,497	8,679,340
	Charge for the year	1,105,595	1,217,253
	Deductions during the year	244,377	1,017,096
	Depreciation to date	**9,740,715**	**8,879,497**
	Net Block	**3,630,971**	**3,352,615**
C.	**Capital Work in progress (Including Capital Advances)**	**130,801**	**276,116**
Grand Total (A+B+C)		**5,174,870**	**5,048,118**

 # Includes buildings constructed on leasehold land at different places having original cost of ₹ 659,861 Thousands (Previous Year ₹ 659,861 Thousands) and Written down value of ₹ 453,476 Thousands (Previous Year ₹ 464,092 Thousands) with remaining lease period varying from 56 - 68 years

Schedules Forming Part of The Consolidated Balance Sheet (Contd...)

SCHEDULE 11 - OTHER ASSETS

(₹ in Thousand)

		As at March 31, 2021	As at March 31, 2020
I.	Inter - office adjustments (net)	-	-
II.	Interest accrued	12,777,790	10,849,208
III.	Tax paid in advance/tax deducted at source (Net of provision)	11,277,117	10,728,633
IV.	Stationery and Stamps	8,600	6,731
V.	Non-banking assets acquired in satisfaction of claims*	16,259	24,376
VI.	Others#	99,792,418	73,654,186
Total		**123,872,184**	**95,263,134**
** - Includes certain Non-Banking assets acquired in satisfaction of claims which are in the process of being transferred in the Bank's name.*			
# Includes			
(a)	Priority sector shortfall deposits	85,220,770	60,167,801
(b)	Deferred Tax Asset (Refer Note 1.7 of Schedule 18)	58,840	-
(c)	Security deposits	1,574,871	928,954

SCHEDULE 12 - CONTINGENT LIABILITIES

(₹ in Thousand)

		As at March 31, 2021	As at March 31, 2020
I.	Claims against the Bank not acknowledged as debts	17,445,140	14,559,765
II.	Liability on account of outstanding forward exchange contracts**	260,669,140	247,702,742
III.	Guarantees given on behalf of constituents - in India	67,442,288	65,911,076
IV.	Acceptances, endorsements and other obligations	14,349,424	14,105,927
V.	Other items for which the Bank is contingently liable@	4,364,090	2,358,644
Total		**364,270,082**	**344,638,154**

(Refer Note 1.14 of Schedule 18)

*** - Including Derivatives*

@ - includes ₹ 2,120,340 Thousands (Previous Year : ₹ 1,773,742 Thousands) being amount transferred to DEA Fund Cell, RBI and outstanding, as per RBI circular DBOD.No.DEAF Cell.BC.114/30.01.002/2013-14.

Schedules Forming Part of The Consolidated Profit and Loss Account

SCHEDULE 13 - INTEREST EARNED

(₹ in Thousand)

		Year ended March 31, 2021	Year ended March 31, 2020
I.	Interest/discount on advances/bills	113,531,365	110,451,811
II.	Income on investments	23,382,858	21,854,988
III.	Interest on balances with Reserve Bank of India and other inter-bank funds	3,681,644	1,399,639
IV.	Others*	2,544,888	2,197,466
Total		**143,140,755**	**135,903,904**

** - Includes interest on Income tax refunds amounting to ₹ 87,514 Thousands (Previous year ₹ 1,878 Thousands) accounted based on Assessment orders received.*

SCHEDULE 14 - OTHER INCOME

(₹ in Thousand)

		Year ended March 31, 2021	Year ended March 31, 2020
I.	Commission, exchange and brokerage	10,494,554	9,640,542
II.	Profit on sale of investments (Net)	6,108,187	6,079,246
III.	Profit on revaluation of investments (Net)	-	-
IV.	Profit / (Loss) on sale of land, buildings and other assets (Net)	17,989	51,724
V.	Profit on foreign exchange/derivative transactions (Net)	1,939,989	2,183,131
VI.	Income earned by way of dividends etc. subsidiaries / associates and / or joint ventures.	-	667
VII.	Miscellaneous income**	1,017,879	862,803
Total		**19,578,598**	**18,818,113**

*** - Includes Recoveries in assets written off ₹ 810,108 Thousands (Previous year ₹ 522,418 Thousands)*

SCHEDULE 15 - INTEREST EXPENDED

(₹ in Thousand)

		Year ended March 31, 2021	Year ended March 31, 2020
I.	Interest on deposits	78,045,404	81,003,652
II.	Interest on Reserve Bank of India/Inter bank borrowings	419,646	914,103
III.	Others	5,884,531	4,865,337
Total		**84,349,581**	**86,783,092**

SCHEDULE 16 - OPERATING EXPENSES

(₹ in Thousand)

		Year ended March 31, 2021	Year ended March 31, 2020
I.	Payments to and provisions for employees	21,720,184	18,759,804
II.	Rent, taxes and lighting	3,190,459	3,217,217
III.	Printing and stationery	259,667	259,878
IV.	Advertisement and publicity	96,758	121,258
V.	Depreciation on Banks' property	1,149,202	1,257,270
VI.	Directors' fees, allowances and expenses	23,851	23,866
VII.	Auditors' fees and expenses (including branch auditors' fees and expenses)	85,021	95,594
VIII.	Law charges	194,298	208,710
IX.	Postage, Telegrams, Telephones etc	819,003	787,675
X.	Repairs and maintenance	700,499	760,413
XI.	Insurance	1,929,055	1,427,808
XII.	Other expenditure#	8,818,641	8,547,578
Total		**38,986,638**	**35,467,071**

 # - Includes expenditure on Corporate Social Responsibility - ₹ 362,802 Thousands (Previous Year: ₹ 433,170 Thousands)

SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021

1. BACKGROUND

The Federal Bank Limited ('FBL' or the 'Bank') together with its subsidiaries (collectively, the 'Group') and associates is a diversified financial services group providing a wide range of banking and financial services including commercial banking, retail banking, project and corporate finance, working capital finance, insurance and treasury products and services. Operations of the Group are spread all over India. The Bank was incorporated in 1931 as Travancore Federal Bank Limited to cater to the banking needs of Travancore Province. It embarked on a phase of sustained growth under the leadership of Late K.P. Hormis. The bank is governed by Banking Regulation Act, 1949 and other applicable Acts/ regulations. The bank had set up an International Financial Service Centre (IFSC) Banking unit (IBU) in Gujarat International Finance Tec-City (GIFT City) in line with global financial centres of Singapore and Dubai. IBU at Gift city is equivalent to an Offshore Banking unit, for all regulatory purposes.

2. PRINCIPLES OF CONSOLIDATION

i) The consolidated financial statements relate to The Federal Bank Limited ('FBL' or the 'Bank'), its subsidiary companies and the Group's share of Profit/Loss in its associates. The details of subsidiaries and associate entities are given below:

Name of the entity	Relationship	Country of Incorporation	Ownership held by	% of Holding and voting power either directly or indirectly through subsidiary as at	
				March 31, 2021	March 31, 2020
Fedbank Financial Services Limited (FFSL)	Subsidiary Company	India	The Federal Bank Limited	74.00#	74.00$
Federal Operations and Services Limited (FOSL)	Subsidiary Company	India	The Federal Bank Limited	100.00	100.00
Ageas Federal Life Insurance Company Limited	Associate	India	The Federal Bank Limited	26.00	26.00
Equirus Capital Private Limited	Associate	India	The Federal Bank Limited	19.90*	8.74

 # During the year ended March 31, 2021, pursuant to Right issue announced by Fedbank Financial Services Limited, the bank has purchased 12,210,000 number of equity shares of face value ₹ 10.00 each at ₹ 48.00 per share

$ During the year ended March 31, 2020, Fedbank Financial Services Limited issued 26,714,257 number of equity share of face value of ₹ 10/- each to True North Fund VI LLP on private placement basis. Pursuant to which the Bank's shareholding in Fedbank Financial Services Limited decreased from 82.59% in FY 2018-19 to 74.00% in FY 2019-20. Further, the company issued 16,666,668 number of equity shares to all existing shareholders in their holding proportion at ₹ 48/- per share.

** During the year ended March 31, 2021, the bank has made additional investment in Equirus Capital Private Limited by purchasing 864,506 number of Equity shares and 642,167 number of compulsorily convertible preference shares (face value ₹ 5 each) at ₹ 9.25 per share pursuant to right issue announced by the Company. Subsequently, all compulsorily convertible preference shares including 7,022,000 number of shares held as on March 31, 2020 was converted into equity shares. Thus, the equity investment in Equirus capital Private Limited increased from 8.74% to 19.90%.*

(ii) The audited financial statements of the subsidiary companies and the audited financial statements of the associates have been drawn up to the same reporting date as that of the Bank, i.e. March 31, 2021.

(iii) The financial statements of the Bank and its subsidiary companies have been combined on a line-by-line basis as per *AS 21, Consolidated Financial statements* by adding together like items of assets, liabilities, income and expenses, after eliminating intra-group balances, intra-group transactions and resulting unrealised profits or losses, unless cost cannot be recovered.

(iv) The consolidated financial statements include the share of profit of the associate companies which have been accounted for using equity method as per *AS 23 Accounting for Investments in Associates in Consolidated Financial Statements.* Accordingly, the share of profit of the associate companies has been added to the cost of respective investment.

SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD...)

(v) The consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the Bank's separate financial statements.

(vi) Differences in accounting policies followed by the subsidiaries and associates have been reviewed and no adjustments have been made, since the impact of these differences is not significant.

3. BASIS OF ACCOUNTING AND PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The Consolidated Financial Statements of the Bank and its subsidiaries (together the 'Group') have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards prescribed under Section 133 of the Companies Act, 2013 and the relevant provisions of the Companies Act, 2013 ("the Act") as applicable and current practices prevailing within the Banking Industry in India. Suitable adjustments are made to align with the format prescribed under the Banking Regulation Act, 1949. The consolidated financial statements have been prepared on accrual basis under historical cost convention, except as otherwise stated. The accounting policies adopted in the preparation of financial statements are consistent with those followed in the previous year.

4. USE OF ESTIMATES

The preparation of the consolidated financial statements in conformity with the generally accepted accounting principles requires the Management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses and disclosure of contingent liabilities at the date of the financial statements. Actual results could differ from those estimates. The Management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Any revisions to the accounting estimates are recognised prospectively in the current and future periods.

5. SIGNIFICANT ACCOUNTING POLICIES

5.1 Investments

The Bank

Classification

In accordance with the RBI guidelines, investments are categorized at the time of purchase as:

- Held for Trading (HFT)
- Available for Sale (AFS) and
- Held to Maturity (HTM)

Investments which are primarily held for sale within 90 days from the date of purchase are classified as "Held for Trading". As per RBI guidelines, HFT Securities which remain unsold for a period of 90 days are classified as AFS Securities on that date. Investments which the bank intends to hold till maturity are classified as "Held to Maturity".

Investments which are not classified in either of the above two categories are classified as "Available for Sale".

Under each of these categories, investments are further classified under six groups (hereinafter called groups) - Government Securities, Other Approved Securities, Shares, Debentures and Bonds, Investments in Subsidiaries/ Joint Ventures and Other Investments for the purposes of disclosure in the Balance Sheet.

Transfer of securities between Categories

Transfer of securities between categories of investments is accounted as per RBI Guidelines.

Acquisition Cost

In determining the acquisition cost of the Investment:

- Transaction costs including brokerage and commission pertaining to acquisition of Investments are charged to the Profit and Loss Account.
- Broken period interest is charged to the Profit and Loss Account.
- Cost of investments is computed based on the weighted average cost method.

Valuation

The valuation of investments is made in accordance with the RBI Guidelines as follows:

a) Held for Trading /Available for Sale – Investments classified under the AFS and HFT categories are marked-to-market. The market/fair value of quoted investments included in the 'AFS' and 'HFT' categories is the Market Price of the Scrip as available from the trades/ quotes on the stock exchanges or prices declared by Primary Dealers Association of India ('PDAI') jointly with Fixed Income Money Market and Derivative Associations of India ('FIMMDA') / Financial

SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD...)

Benchmarks India Pvt Ltd. ('FBIL'), periodically. Net depreciation, if any, within each category of each investment classification is recognised in Profit and Loss Account. The net appreciation, if any, under each category of each Investment is ignored. The depreciation on securities acquired on conversion of outstanding loan is provided in accordance with RBI guidelines. Except in cases where provision for diminution other than temporary is created, the Book value of individual securities is not changed consequent to the periodic valuation of Investments.

b) Held to Maturity– These are carried at their acquisition cost. Any premium on acquisition is amortized over the remaining maturity period of the security on a straight-line basis. Any diminution, other than temporary, in the value of such securities is provided for.

c) Treasury Bills, Commercial paper and Certificate of Deposits being discounted instruments, are valued at carrying cost.

d) Units of Mutual Funds are valued at the latest repurchase price/net asset value declared by Mutual Fund.

e) Market value of investments where current quotations are not available, is determined as per the norms prescribed by the RBI as under:

- In case of unquoted bonds, debentures and preference shares where interest/dividend is received regularly (i.e. not overdue beyond 90 days), the market price is derived based on the Yield to Maturity (YTM) for Government Securities as published by FIMMDA/ PDAI/ FBIL and suitably marked up for credit risk applicable to the credit rating of the instrument. The matrix for credit risk mark-up for each categories and credit ratings along with residual maturity issued by FIMMDA/ FBIL are adopted for this purpose.
- In case of bonds and debentures (including Pass Through Certificates or PTCs) where interest is not received regularly (i.e. overdue beyond 90 days), the valuation is in accordance with prudential norms for provisioning as prescribed by RBI.
- Equity shares, for which current quotations are not available or where the shares are not quoted on the stock exchanges, are valued at break-up value (without considering revaluation reserves, if any) which is ascertained from the company's latest Balance Sheet. In case the latest Balance Sheet is not available, the shares are valued at Re. 1 per company based on the stipulated norms as per RBI circular.
- Units of Venture Capital Funds (VCF) held under AFS category where current quotations are not available are marked to market based on the Net Asset Value (NAV) shown by VCF as per the latest audited financials of the fund. In case the audited financials are not available for a period beyond 18 months, the investments are valued at Re.1/- per VCF. Investment in unquoted VCF after August 23, 2006 are categorized under HTM category for the initial period of three years and valued at cost as per RBI guidelines.
- Investments in Security Receipts are valued as per the latest NAV obtained from issuing Asset Reconstruction Companies, subject to floor provision requirements as per RBI guidelines.

f) Investments in subsidiaries/associates as per RBI guidelines are categorized as HTM and assessed for impairment to determine permanent diminution, if any.

g) The Bank follows settlement date method of accounting for purchase and sale of investments.

h) Non-Performing Investments are identified and valued based on RBI Guidelines.

Disposal of Investments

a) Held for Trading and Available for Sale – Profit or loss on sale / redemption is included in the Profit and Loss account.

b) Held to Maturity – Profit on sale /redemption of investments is included in the Profit and Loss Account and is appropriated to Capital Reserve after adjustments for tax and transfer to Statutory Reserve. Loss on sale / redemption is charged to the Profit and Loss account.

Repo and Reverse Repo transactions

Repo and reverse repo transactions in government securities and corporate debt securities including those conducted under the Liquidity Adjustment Facility ('LAF') and Marginal Standby Facility ('MSF') with RBI are accounted as collateralised borrowing and lending respectively. Borrowing cost on repo transactions is accounted as interest expense and revenue on reverse repo transactions is accounted as interest income.

Short Sales

In accordance with the RBI guidelines, the Bank undertakes short sale transactions in Central Government dated securities. The Short Sales positions are reflected in 'Securities Short Sold ('SSS') A/C, specifically created for this purpose. The short position is categorised under HFT category and netted off from investments in the Balance Sheet. These positions are marked –to-market and resultant gains/losses are accounted for as per the relevant RBI guidelines for valuation of Investments discussed earlier.

The Subsidiaries

Investments that are readily realizable and intended to be held for not more than a year are classified as Current Investments. All other investments are classified as Long-Term Investments.

Investments held as long-term investments are carried at cost comprising of acquisition and incidental expenses. Provision for diminution in value of investments, if any, is made if in the opinion of management, such diminution is other than temporary. Any premium on acquisition is amortised over the remaining maturity of the security on a constant yield to maturity basis. Such amortization of premium is adjusted against interest income from investments. The book value of investment is reduced to the extent of amount amortized during the relevant accounting period.

Investments other than long-term investments are classified as current investments and valued at lower of cost or fair value.

5.2 Advances

The Bank

Advances are classified into performing assets (Standard) and non-performing assets ('NPAs') as per the RBI guidelines and are stated net of bills rediscounted, inter-bank participation certificates issued with risk sharing, specific provisions made towards NPAs, floating provisions and unrealized interest on NPAs. Interest on Non-Performing advances is transferred to an unrealized interest account and not recognized in profit and loss account until received. Further, NPAs are classified into sub-standard, doubtful and loss assets based on the criteria stipulated by the RBI. The Bank has made provision for Non-Performing Assets as stipulated under Reserve Bank of India (RBI) norms.

The Bank also maintains provisions on loans under Scheme for Sustainable Structuring of Stressed Assets (S4A) and Strategic Debt Restructuring (SDR) scheme as per the RBI guidelines.

Amounts recovered against debts written off are recognised in the profit and loss account and included under "Other Income".

For restructured/rescheduled assets, provision is made in accordance with the guidelines issued by the RBI, which requires the diminution in the fair value of the assets to be provided at the time of restructuring. In respect of loans and advances accounts subjected to restructuring, the account is upgraded to standard only after the specified period i.e. a period of one year after the date when first payment of interest or of principal, whichever is later, falls due, subject to satisfactory performance of the account during the period.

Provision for Unhedged Foreign Currency Exposure (UFCE) of borrower entities is made in accordance with the guidelines issued by RBI, which requires the Bank to ascertain the amount of UFCE, estimate the extent of likely loss and estimate the riskiness of unhedged position of those entities. The Provision is classified under Schedule 5 – Other Liabilities in the Balance Sheet.

The Bank maintains general provision for standard assets including credit exposures computed as per the current marked to market values of interest rate and foreign exchange derivative contracts, in accordance with the guidelines and at levels stipulated by RBI from time to time.

The Bank makes additional provisions as per RBI's guidelines on 'Prudential Framework on Resolution of Stressed Assets' dated June 7, 2019 on accounts in default and with aggregate exposure above the threshold limits as laid down in the said framework where the resolution plan is not implemented within the specified timeline.

Additional provision for restructured accounts as per the relevant restructuring scheme announced by RBI for Micro, Small and Medium (MSME) sector, accounts affected by natural calamities and as per COVID 19 resolution framework are made as per extant RBI guidelines.

In respect of borrowers classified as non-cooperative and wilful defaulters, the Bank makes accelerated provisions as per extant RBI guidelines.

SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD...)

Loans reported as fraud are classified as loss assets, and fully provided immediately without considering the value of security.

Fedbank Financial Services Limited

Advances are classified as Performing Assets or Non-performing Assets and Provisions required are made as per the guidelines of the Reserve Bank of India on matters relating to Prudential Norms as applicable to "Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016"

5.3 Securitisation and transfer of assets

The Bank

The Bank enters into purchase of corporate and retail loans through direct assignments route and the same is accounted as per extant RBI guidelines.

The bank transfers advances through inter-bank participation with and without risk. In accordance with the RBI guidelines, in the case of participation with risk, the aggregate amount of the participation issued by the Bank is reduced from advances and where the Bank is participating, the aggregate amount of participation is classified under advances. In the case of participation without risk, the aggregate amount of participation issued by the Bank is classified under borrowings and where the Bank is participating, the aggregate amount of participation is shown as due from banks under advances.

Fedbank Financial Services Limited

The Company enters into securitisation / assignment transactions and assets are de-recognised upon sale only if the Company surrenders the control over the contractual rights that comprises in the financial assets i.e. when they meet true sale criteria. The Company has adopted the accounting policy for securitisation / assignment transactions, as notified by RBI in its circular "Revision to the guidelines on transfer of assets through Securitisation and Direct Assignment of cash flows" issued on August 21, 2012. Gains arising out of securitisation of assets are recognised over the tenure of the securities issued by Special Purpose Vehicle (SPV), losses if any are recognised upfront. The amount of cash profit on assignment transaction is held under "Cash Profit on loan transfer transactions pending recognition" maintained on an individual transaction basis. The amortisation of cash profit arising out of loan assignment transaction is done at every reporting period end as prescribed by RBI in the afore mentioned circular. The unamortised portion is reflected as "Other long-term liabilities" / "Other current liabilities".

5.4 Country risk

The Bank

In addition to the provisions required to be held according to the asset classification status, provisions are held for individual country exposure (other than for home country). The countries are categorised into seven risk categories namely insignificant, low, moderate, high, very high, restricted and off-credit as per Export Credit Guarantee Corporation of India Limited (ECGC) guidelines and provision is made in respect of the country where the net funded exposure is 1% or more of the bank's total funded assets.

5.5 Priority Sector Lending Certificates (PSLC)

The Bank

The Bank vide RBI circular FIDD.CO.Plan.BC.23/ 04.09.01/2015-16 dated April 7, 2016 trades in priority sector portfolio by selling or buying PSLC. There is no transfer of risks or loan assets in these transactions. The fee paid for purchase of the PSLC is treated as an 'Expense' and the fee received from the sale of PSLCs is treated as 'Other Income'.

5.6 Transactions involving foreign exchange

The Bank

In respect of domestic operations:

- Foreign currency income and expenditure items are translated at the exchange rates prevailing on the date of the transaction.
- Foreign currency monetary items are translated at the closing exchange rates notified by Foreign Exchange Dealers Association of India (FEDAI) as at the Balance sheet date.
- The resulting net valuation profit or loss is recognized in the profit and loss account.

In respect of Non-Integral Foreign Branches:

- Income and expenditure items are translated at quarterly average closing rates.
- Both Monetary and Non- Monetary foreign currency Assets and liabilities are translated at closing exchange rates notified by FEDAI at the balance sheet date.
- The resulting profit/loss arising from exchange differences are accumulated in Foreign Currency Translation Reserve until remittance or the disposal

of the net investment in the non-integral foreign operations in accordance with AS-11. Any realised gains or losses on such disposal are recognised in the Profit and Loss Account.

Valuation of Foreign Exchange Spot and Forward Contracts

- Foreign exchange spot and forward Contracts (Other than the forwards / swaps marked under Funding category) outstanding as at the Balance Sheet date are revalued at the closing Spot and Forward Rates respectively as notified by FEDAI and at interpolated / extrapolated rates for contracts of interim maturities.
- For valuation of contracts having longer maturities i.e. greater than one year, the forward points (for rates/ tenures not published by FEDAI) are obtained from Reuters for valuation of the FX Deals.
- As per directions of FEDAI, the profit or loss is considered on present value basis by discounting the forward profit or loss till the valuation date using discounting yields. The resulting profit or loss on valuation is recognized in the Profit and Loss Account.

Foreign exchange swaps taken for funding purposes is amortized and recognized as interest income / interest expense in the Profit and Loss Account.

Contingent liabilities on account of foreign exchange contracts, guarantees, letters of credit, acceptances and endorsements are reported at closing rates of exchange notified by FEDAI as at the Balance Sheet date.

5.7 Derivative transactions

The Bank

The Bank recognizes all derivative contracts at fair value, on the date on which the derivative contracts are entered into and are re-measured at fair value as at the Balance sheet or reporting dates. Derivatives are classified as assets when the fair value is positive (Positive marked-to-market) or as liabilities when the fair value is negative (negative marked-to-market). Changes in the fair value of derivatives other than those designated as hedges are recognised in the Profit and Loss Account.

Fedbank Financial Services Limited

The company enters into derivative contracts in the nature of Cross Currency Interest Rate Swaps, Foreign Currency Forwards etc. with an intention to hedge its existing assets and liabilities in foreign currency. Derivative contracts which are closely linked to the existing assets and liabilities are accounted as per the policy stated for foreign currency transactions and translations.

Derivative contracts designated as a hedging instrument for highly probable forecast transactions are accounted as per the below policy stated for Hedge Accounting.

All other derivative contracts are marked to market and losses are recognised in the statement of Profit and Loss. Gains arising on the same are not recognised, until realised, on grounds of prudence.

Hedge accounting

The company uses Cross Currency Interest Rate Swaps, Foreign Currency Forward contracts etc. to hedge its risk associated with foreign currency fluctuation relating to highly probable forecast transactions. The company designates such forward contracts/Interest rate swap in a cash flow hedging relationship by applying the hedge accounting principles set out in "Guidance Note on Accounting for Derivative contracts" issued by ICAI. These forward contracts/interest rate swaps are stated at fair value at each reporting date. Changes in the fair value of these forward contracts that are designated and effective as hedges of future cash flows are recognized directly in Cash Flow Hedge Reserve under Reserves and surplus and ineffective portion is recognised immediately in the statement of Profit & Loss. Amounts accumulated in the Cash flow hedge reserve are reclassified to the statement of Profit & Loss in the same periods during which the forecasted transaction affects Profit & Loss. Hedge accounting is discontinued when hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for Hedge accounting. For forecasted transactions, any cumulative gain or loss on the hedging instrument recognised in cash flow hedge reserve is retained until the forecasted transaction occurred. If the forecasted transaction is no longer expected to occur, the net cumulative gain or loss recognised in cash flow hedge reserve is immediately transferred to statement of Profit & Loss.

5.8 Revenue Recognition

The Bank

- Interest income is recognised on an accrual basis except interest income on non-performing assets, which is recognised upon receipt as specified in RBI guidelines.
- Interest on income tax refund is recognised in the year of receipt of Assessment Orders.

SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD...)

- The recoveries made from NPA accounts are appropriated based on "first in first out" policy, i.e. the earliest entry shall be realized first. If different entries are made in the account on the same day, the realization shall be in the order of charges, interest, and principal.
- Processing fees collected on loans disbursed, along with related loan acquisition costs are recognised at inception/Renewal of the loan.
- Income on discounted instruments is recognised over the tenure of the instrument on a straight-line basis.
- Guarantee commission, commission on letter of credit and annual locker rent fees are recognised on a straight-line basis over the period of contract. Other fees and commission income are recognised when due, except in cases where the bank is uncertain of ultimate collection.
- Dividend on Equity Shares, Preference Shares and on Mutual Funds is recognised as Income when the right to receive the dividend is established.
- Loan Syndication fee is accounted for on completion of the agreed service and when right to receive is established.
- In compromise settlement cases, sacrifice on settlement is accounted upfront.
- Unpaid funded interest on term loans are accounted on realisation as per the guidelines of RBI.
- The difference between the sale price and purchase cost of gold coins, received on consignment basis is included in other income. The Bank also deals in bullion on a borrowing and lending basis and the interest paid/ received is accounted on an accrual basis.

Fedbank Financial Services Limited

- Revenue is recognized as and when it is earned, and no significant uncertainty exists as to its realization or collection. Interest Income is recognized on accrual basis, except in case of interest on non-performing assets which are recognized on receipt basis in accordance with "Systemically important non-Banking Financial (Non Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Direction,2016 " and the Accounting Standards specified under Section 133 of the Companies Act, 2013 read with rule 7 of the Companies (Accounts) Rules, 2014 and the guidelines issued by the Reserve Bank of India as applicable to a NBFC-ND-SI. Overdue charges are recognized when the Company is certain of its realization.
- Interest on securities is accounted for on accrual basis except where the ultimate collection cannot be established with reasonable certainty.
- Processing Fees & Penal Charges are recognized on receipt basis.

Federal Operations and Services Limited

- Revenue from Operations is recognised as and when services are rendered, as per the terms of Master Service Agreement entered into by the company.

5.9 Fixed assets and depreciation

The Bank

Fixed assets are carried at cost of acquisition less accumulated depreciation and impairment, if any. Cost includes cost of purchase and all expenditure like freight, duties, taxes and incidental expenses related to the acquisition and installation of the asset. Taxes like GST paid on Fixed assets wherever eligible are availed as ITC as per GST rules. Subsequent expenditure incurred on assets put to use is capitalised only when it increases the future economic benefit / functioning capability from / of such assets.

Capital work-in-progress includes cost of fixed assets that are not ready for their intended use and includes advances paid to acquire fixed assets.

Depreciation on fixed assets, including amortisation of software, is charged over the estimated useful life of fixed assets on straight-line basis, except as mentioned below.

- Premises are depreciated under the written down value method, using the same useful life as in Schedule II of the Companies Act, 2013. Improvements to leased Premises are depreciated over lower of lease term or 5 years based on technical evaluation.
- Depreciation on premises revalued has been charged on their written-down value including the addition made on revaluation.
- Assets individually costing ₹ 2,000/- or less are fully depreciated in the year of purchase.

The management believes that the useful life of assets assessed by the Bank, pursuant to Schedule II to the Companies Act, 2013, taking into account changes in environment, changes in technology, the utility and efficacy of the asset in use, fairly reflects its estimate of useful lives of the fixed assets. The estimated useful lives of key fixed assets are given below:

Asset	Estimated useful life as assessed by the Bank
Leasehold Land	Over the lease period
Owned premises	60 Years
Motor Vehicles	8 Years
Computer hardware	3 Years
Modem, scanner, routers, switches etc.	3 Years
ATM / CDM / Recyclers etc.	5 Years
Electric equipment and installations	10 Years
Furniture and fixtures	10 Years
Software / Firewall etc.	3 / 5 Years
Servers/Network Equipment	6 Years
Currency Sorting Machines	5 Years
Office equipments	5 Years

Depreciation on assets sold during the year is recognised on a pro-rata basis till the date of sale. Gain or losses arising from the retirement or disposal of Fixed Assets are determined as the difference between the net disposal proceeds and the carrying amount of assets and recognised as income or expense in the Profit and Loss Account. Further, Profit on sale of premises is appropriated to Capital Reserve account (Net of applicable taxes and transfer to statutory reserves) in accordance with RBI instructions.

Whenever there is a revision of the estimated useful life of an asset, the unamortised depreciable amount is charged over the revised remaining useful life of the said asset.

Fedbank Financial Services Limited

- Tangible Assets are carried at their cost of acquisition less accumulated depreciation and impairment losses, if any. Cost Includes Freight, duties, taxes and other incidental expenses and expenses on installation of the assets.
- Depreciation/amortization on assets is charged based on the useful life of the assets as prescribed under Schedule II of the Companies Act, 2013.
- Lease hold improvements are being amortized over the period of lease.
- Intangible assets include computer software which are carried at cost of acquisition less accumulated amortization and amortized on a Straight-Line Method (SLM) basis over the estimated useful lives of 3 years on a pro rata basis.

Federal Operations and services Limited

- The cost of leaseholds Improvements are amortised on a straight-line basis over the lease period.
- The cost of software is capitalized as intangible asset and amortised on a straight-line basis over the useful life of 5 years

5.10 Impairment of Assets

Group

The Group assesses at each Balance Sheet date whether there is any indication that an asset may be impaired. Impairment loss, if any, is provided in the Profit and Loss account to the extent the carrying amount of assets exceeds their estimated recoverable amount.

5.11 Non-Banking Assets

The Bank

Non-Banking assets acquired in settlement of debts / dues are accounted at the lower of their cost of acquisition or net realisable value.

5.12 Lease transactions

Operating Lease

Group

Leases where the lessor effectively retains substantially all the risks and benefits of ownership over the lease term are classified as operating lease. Lease payments for assets taken on operating lease are recognised as an expense in the Profit and Loss Account as per the lease terms.

5.13 Retirement and other employee benefits

The Bank

a) Provident Fund

Employees covered under provident fund scheme are entitled for retirement benefit in the form of provident fund, which is a defined contribution plan. Aggregate contributions along with interest thereon are paid on retirement, death, incapacitation, or termination of employment. Both the employee and the Bank contribute at specific rates of the salary to the provident fund account maintained with the Federal Bank Employees Provident Fund. The contribution made by the bank to The Federal Bank

SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD...)

(Employees') Provident Fund Trust, administered by the trustees, is charged to the Profit and Loss account.

b) Pension Fund

Employees covered under pension scheme are entitled to get pension benefits, which is a defined benefit plan. The Bank contributes at specific rates of the salary to the Federal Bank (Employees') Pension Fund Trust set up by the Bank and administered by the Trustees. Additional amount being the liability shortfall as ascertained by an independent actuary, contributed towards The Federal Bank Employees' Pension Fund, is determined on actuarial basis on projected unit credit method as on the Balance Sheet dates. The contribution made by the bank to Federal Bank Employees' Pension Fund is charged to the Profit and Loss account.

c) Gratuity

All employees of the Bank are entitled for gratuity benefits, which is a defined benefit plan. The Bank makes contributions to The Federal Bank Employees' Gratuity Trust Fund, which is administered and managed by the Trustees. Liabilities with regard to the gratuity plan are determined by Actuarial valuation as on the Balance Sheet date, based upon which, the Bank contributes all the ascertained liabilities to the Federal Bank Employees' Gratuity Trust Fund. The contribution made by the bank to the Federal Bank Employees' Gratuity Trust Fund is charged to the Profit and Loss account.

d) Compensation for absence on Privilege / Sick / Casual Leave and Leave Travel Concession (LTC)

The employees of the Bank are entitled to compensated absence on account of privilege / sick / casual leave as per the leave rules. The Bank measures the long term expected cost of compensated absence as a result of the unused entitlement that has accumulated at the balance sheet date based on actuarial valuation and such costs are recognised in the Profit and Loss account.

The employees are also eligible for LTC as per the rules. The estimated cost of unused entitlement as on the Balance Sheet date based on actuarial valuation is provided for.

e) New Pension Scheme ('NPS')

In respect of employees who are covered under NPS, the Bank contributes certain percentage of the sum of basic salary and dearness allowance of employees to the aforesaid scheme, a defined contribution plan, which is managed and administered by pension fund management companies and regulated by PFRDA. NPS contributions are recognised in the Profit and Loss Account in the period in which they accrue. The Bank has no liability other than its contribution, and recognises such contributions as an expense in the year incurred.

f) Other employee Benefits

The undiscounted amount of Short-term employee benefits expected to be paid in exchange for the services rendered by employees is recognised during the period when the employees render the service. These benefits include performance incentives.

Fedbank Financial Services Limited

a) Short Term Employee Benefits

All employee benefits payable wholly within twelve months of rendering the service are classified as short-term employee benefits and the undiscounted amounts are recognized as expenses in the Profit & Loss Statement of the year in which the related services are rendered.

b) Defined Contribution Plan

The company has defined contribution plans for employees comprising of Provident Fund and Employee State Insurance. The contributions paid/ payable to these plans during the year are charged to Statement of Profit & Loss for the Year.

c) Defined Benefit Plan

Payment of gratuity to employees is covered by the "Exide Life Group Gratuity Unit Linked Scheme" of the Exide life Insurance Company Limited, which is a defined benefit scheme and the company, makes contribution under the said scheme. The net present value of the obligation for gratuity benefits as determined on the independent actuarial valuation, conducted annually using the projected unit credit method, as adjusted for unrecognised past service cost if any and as reduced by the fair value of planned asset is recognized in the accounts. Actuarial gains and losses are recognized in full in the statement of profit & loss for the period in which they occur.

d) The company has a scheme for compensated absences for employees, the liability of which is determined on the basis of an independent actuarial valuation carried out at the end of the year, using the projected unit credit method. Actuarial gains and losses are recognised in full in the Profit and Loss Statement for the period in which they occur.

Federal Operations and Services Limited

a) The company has defined contribution plans for employees comprising of Provident Fund and Employee State Insurance. The contributions paid/ payable to these plans during the year are charged to Profit and Loss Account for the year.

b) The company pays gratuity, a defined benefit plan, to employees who retire or resign. The company provides gratuity to the eligible employees as a terminal benefit. These liabilities are determined on actuarial valuation, conducted annually using projected unit credit method at balance sheet date. Actuarial gains and losses are recognised in full in the Profit and Loss Account for the period in which they occur.

5.14 Debit card reward points

The Bank

The Bank runs a loyalty program which seeks to recognise and reward customers based on their relationship with the Bank. Under the program, eligible customers are granted loyalty points redeemable in future, subject to certain conditions. The Bank estimates the probable redemption of such loyalty/reward points using an actuarial method on a quarterly basis by employing independent actuary, which includes assumptions such as mortality, redemption and spends. Provision for said reward points is then made based on the actuarial valuation report as furnished by the said independent Actuary and such costs are recognized in the Profit and Loss account.

5.15 Taxation

Group

Income tax expense is the aggregate amount of current tax and deferred tax charge.

Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the applicable tax rates and the provisions of the Income Tax Act, 1961 and other applicable tax laws.

Deferred tax is recognised on timing differences, being the differences between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted as at the reporting date. Deferred tax liabilities are recognised for all timing differences. Deferred tax assets are recognised for timing differences of items other than unabsorbed depreciation and carry forward losses only to the extent that reasonable certainty exists that sufficient future taxable income will be available against which these can be realised. However, if there are unabsorbed depreciation and carry forward of losses and items relating to capital losses, deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that there will be sufficient future taxable income available to realise the assets. Deferred tax assets and liabilities are offset if such items relate to taxes on income levied by the same governing tax laws and the Group has a legally enforceable right for such set off. Deferred tax assets are reviewed at each balance sheet date for their realisability.

Current and deferred taxes relating to items directly recognised in reserves are adjusted in reserves and not in Profit and Loss Account.

5.16 Corporate Social Responsibility

Group

Expenditure towards corporate social responsibility, in accordance with Companies Act, 2013 are recognised in the Profit and Loss Account.

5.17 Earnings per Share

Group

The Group reports basic and diluted earnings per share in accordance with AS 20, Earnings per Share, as prescribed under Section 133 of the Companies Act, 2013. Basic earnings per share is computed by dividing the net profit after tax by the weighted average number of equity shares outstanding for the year.

Diluted earnings per share reflect the potential dilution that could occur if securities or other contracts to issue equity shares were exercised or converted during the year. Diluted earnings per share is computed using the weighted average number of equity shares and dilutive potential equity shares outstanding at the year-end except where the results are anti-dilutive.

SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD...)

5.18 Employee Stock Option Scheme

The Bank

The Bank has formulated Employee Stock Option Scheme (ESOS) 2010 & Employee Stock Option Scheme (ESOS) 2017 and is in accordance with Securities and Exchange Board of India (Employee Stock Option Scheme) Guidelines, 1999. The Scheme provides for grant of options to Employees of the Bank to acquire Equity Shares of the Bank that vest in a graded manner and that are to be exercised within a specified period. In accordance with the SEBI Guidelines and the guidance note on "Accounting for Employee Share based payments" issued by the ICAI, the bank follows 'Intrinsic value method' for accounting of ESOS based on which, the excess, if any, of the market price of the share preceding the date of grant of the option under ESOS over the exercise price of the option is amortised on a straight line basis over the vesting period.

The fair market price is the latest available closing price, prior to the date of grant, on the stock exchange on which the shares of the Bank are listed. If the shares are listed on more than one stock exchange, then the stock exchange where there is highest trading volume on the said date is considered.

Fedbank Financial Services Limited

Stock options granted to employees under the stock option schemes are accounted using the intrinsic value method prescribed in the guidance note on Employees Share Based Payments issued by The Institute of Chartered Accountants of India. The intrinsic value of the option being excess of market value of the underlying share immediately prior to date of grant over its exercise price is considered as deferred employee compensation. The expense on deferred employee compensation is recognized in Profit and Loss Statement on straight line basis over the vesting period of the option. The options that lapse are reversed by a credit to expense, equal to the amortized portion of value of lapsed portion.

5.19 Share issue expenses

Group

Share issue expenses are adjusted from Share Premium Account in terms of Section 52 of the Companies Act, 2013.

5.20 Provisions, contingent liabilities, and contingent assets

Group

A provision is recognised when the Group has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions (excluding retirement benefits) are not discounted to its present value and are determined based on best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates.

A disclosure of contingent liability is made when there is:

- a possible obligation arising from a past event, the existence of which will be confirmed by occurrence or non-occurrence of one or more uncertain future events not within the control of the Group; or
- a present obligation arising from a past event which is not recognised as it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.

When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

Further in the case of Fedbank Financial Services Limited-

- Secured Loans are classified/provided for, as per the management's best estimates, subject to the minimum provision required as per Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016.
- Other loans are classified/provided for, as per the management's best estimates, subject to the minimum provision required as per Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016.
- Company follows a write back policy of provisions which are carried forward for more than 15 months, excluding those pertaining to holding company, employee benefits or any kind of provision which is in dispute with regulatory authority.

SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD...)

5.21 Input Credit under GST

Group

Goods & Service tax input credit is accounted for in the books within the time limit prescribed under CGST Rules, 2017, as amended.

5.22 Segment information

The disclosure relating to segment information is in accordance with AS-17, Segment Reporting and as per guidelines issued by RBI.

5.23 Proposed Dividend

Group

In terms of Accounting Standard (AS) 4 "Contingencies and Events occurring after the Balance sheet date" as notified by the Ministry of Corporate affairs through amendments to Companies (Accounting Standards) Amendment Rules, 2016 dated March 30, 2016, Proposed Dividend or Dividend declared after balance sheet date are not shown as liability in current year balance sheet. This is disclosed in the notes to accounts. The same is recognised in the year of actual payout post approval of shareholders. However, the Group reckons proposed dividend in determining capital funds in computing the capital adequacy ratio.

5.24 Cash and Cash Equivalents

Group

Cash and cash equivalents include cash in hand, balances with Reserve Bank of India and Balances with Other Banks / institutions and money at call and short notice (including the effect of changes in exchange rates on cash and cash equivalents in foreign currency).

SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021

Amounts in notes forming part of the Consolidated Financial Statements for the year ended March 31, 2021 are denominated in Rupees Crore to conform to extant RBI guidelines except where stated otherwise.

1.1 SHARE CAPITAL:

A. Equity Issue

During the year ended March 31, 2021, the Bank has allotted 3,488,176 equity shares consequent to exercise of ESOS, which resulted in an increase of ₹ 0.70 Crore in Share Capital and ₹ 13.10 Crore in Share premium account.

During the year ended March 31, 2020, the Bank has allotted 7,612,869 equity shares consequent to exercise of ESOS and 1,500 equity shares pertaining to Rights issue of 2007, which resulted in an increase of ₹ 1.52 Crore in Share Capital and ₹ 31.31 Crore in Share premium account.

B. Subscribed and paid up capital includes:

(i) 16,590 shares of ₹ 2/- each (Previous Year 16,590 shares of ₹ 2/- each) issued for consideration other than cash.

(ii) 29,232,891 underlying equity shares of ₹ 2/- each (Previous Year 31,802,641 equity shares of ₹ 2/- each) held by custodian on behalf of holders of Global Depository Receipts (GDRs).

C. The following allotments are kept pending following orders from various courts

(i) Allotment of 6,530 shares of ₹ 2/- each (Previous year 6,530 shares of ₹ 2/- each) pertaining to the Right issue of 1993 issued at premium of ₹ 5/- per share

(ii) 262,100 shares of ₹ 2/- each (Previous year 262,100 shares of ₹ 2/- per share) pertaining to the Rights issue of 1996 issued at a premium of ₹ 28/- per Share

(iii) 1,074,165 equity shares of ₹ 2/- each (Previous year 1,074,165 shares of ₹ 2/- per share), at a premium of ₹ 48/- per share pertaining to Rights issue of 2007

Issue of certificates/credit in demat account in respect of the following Bonus issues are kept in abeyance consequent to injunction orders from various courts.

a) 406,670 shares of ₹ 2/- each (Previous year 407,670 shares of ₹ 2/- each) out of the Bonus issue of 2004 and

b) 612,005 bonus shares of ₹ 2/- each (Previous year 612,005 bonus shares of ₹ 2/- each), out of the Bonus issue of 2015.

D. Employee Stock Option Scheme ("ESOS"):

The Bank

(i) Employee Stock Option Scheme 2010 (ESOS 2010)

Shareholders of the bank had approved Employee Stock Option Scheme 2010 (ESOS 2010) through postal ballot, the result of which was announced on December 24, 2010, enabling the Board and/or the "Compensation Committee" to grant such number of equity shares, including options, of the Bank not exceeding 5% of the aggregate number of paid up equity shares of the Bank, in line with the guidelines of SEBI. Pursuant thereto, the Compensation Committee of the bank granted the following options:

(Number of Options)

	March 31, 2021	March 31, 2020
Outstanding at the beginning of the year	16,057,341	24,147,513
Surrendered during the year	-	-
Granted during the year	-	-
Exercised during the year	3,422,806	7,123,602
Forfeited/lapsed during the year	3,438,342	966,570
Outstanding at the end of the year	9,196,193	16,057,341
Options exercisable	9,171,193	15,897,341

SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD...)

As per SEBI guidelines the accounting for ESOS can be done either under the 'Intrinsic value basis' or 'Fair value basis'. The Compensation Committee in their meeting dated May 10, 2012 decided to adopt 'Intrinsic value method' for accounting of ESOS, in terms of the power vested on them as per the resolution of EGM dated December 24, 2010.

In accordance with the SEBI Guidelines and the guidance note on "Accounting for Employee Share based payments" issued by the ICAI, the excess, if any, of the market price of the share preceding the date of grant of the option under ESOS over the exercise price of the option is amortised on a straight line basis over the vesting period.

ii) Employee Stock Option Scheme 2017 (ESOS 2017)

Shareholders of the bank had approved The Federal Bank Limited Employee Stock Option Scheme 2017 (ESOS 2017) AGM held on July 14, 2017, as a Special Resolution, enabling the Board and/or the "Compensation Committee" to grant such number of equity shares, including options, of the Bank not exceeding 5% of the aggregate number of paid up equity shares of the Bank, in line with the guidelines of SEBI. Pursuant thereto, the Compensation Committee of the bank granted the following options:

(Number of Options)

	March 31, 2021	March 31, 2020
Outstanding at the beginning of the year	77,227,910	50,336,281
Additions from the previous year	2,250	-
Surrendered during the year	-	-
Granted during the year	16,884,159	30,522,736
Exercised during the year	65,370	489,267
Forfeited/lapsed during the year	19,121,983	3,141,840
Outstanding at the end of the year	74,926,966	77,227,910
Options exercisable	28,949,455	28,840,450

As per SEBI guidelines the accounting for ESOS can be done either under the 'Intrinsic value basis' or 'Fair value basis'. As per the approval of shareholders, the Bank has adopted 'Intrinsic value method' for accounting of ESOS.

In accordance with the SEBI Guidelines and the guidance note on "Accounting for Employee Share based payments" issued by the ICAI, the excess, if any, of the market price of the share preceding the date of grant of the option under ESOS over the exercise price of the option is amortised on a straight line basis over the vesting period.

iii) Effect of Fair value method of accounting ESOP:

If "Fair Value Method" had been adopted based on "Black-Scholes pricing model" for pricing and accounting of options, net profit would be lower by ₹ 30.56 Crore (Previous Year: ₹ 56.49 Crore). 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 ₹ 7.82 and ₹ 7.80 (Previous Year: ₹ 7.47 and ₹ 7.42) respectively.

Federal Bank Financial Services Limited

Shareholders of the Company had approved Fedbank Financial Services Limited Employee Stock Option Plan 2018 ("ESOP Plan"), the result of which was announced on November 13, 2018, enabling the Board and/or the "Compensation Committee" to grant such number of equity shares, including options, of the Company not exceeding 6% of the aggregate number of paid up equity

SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD...)

shares of the Company, in line with the guidelines of SEBI. Pursuant thereto, the Compensation Committee of the Company granted the following options:

(Number of Options)

	March 31, 2021	March 31, 2020
Outstanding at the beginning of the year	5,511,351	-
Surrendered during the year	-	-
Granted during the year	2,700,000	5,571,351
Exercised during the year	12,000	-
Forfeited/lapsed during the year	48,000	60,000
Outstanding at the end of the year	8,151,351	5,511,351
Options exercisable	655,000	515,028

Effect of Fair value method of accounting ESOP

If "Fair Value Method" had been adopted based on **"**Black-Scholes pricing model**"** for pricing and accounting of options, net profit would be lower by ₹ 2.54 Crore (Previous Year: ₹ 1.31 Crore). The modified basic and diluted earnings per share for the year, had the Company followed Fair Value Method of accounting for ESOS compensation cost would be ₹ 1.93 and ₹ 1.92 (Previous Year: ₹ 1.64 and ₹ 1.64) respectively.

Group

Effect of Fair value method of accounting ESOP

If "Fair Value Method" had been adopted based on "Black-Scholes pricing model" for pricing and accounting of options, net profit would be lower by ₹ 32.44 Crore (Previous Year: ₹ 57.46 Crore). The modified basic and diluted earnings per share for the year, had the Group followed Fair Value Method of accounting for ESOS compensation cost would be ₹ 8.18 and ₹ 8.16 (Previous Year: ₹ 7.66 and ₹ 7.61) respectively.

E. Proposed Dividend and Tax on Proposed Dividend

The Reserve Bank of India, vide its circular DOR.ACC.REC.7/21.02.067/2021-22 dated April 22, 2021 reviewed the dividend declaration norms for the year ended March 31, 2021 and permitted Banks to declare dividend subject to 50% of the regulatorily permissible dividend payout ratio. The Board of Directors have recommended a dividend of 35% i.e. ₹ 0.70/- per Equity Share on face value of ₹ 2/- each for the year 2020-21 subject to the approval of the members at the ensuing Annual General Meeting. In terms of Accounting Standard (AS) 4 "Contingencies and Events occurring after the Balance sheet date" the Bank has not appropriated proposed dividend aggregating to ₹ 139.73 Crore from the Profit and loss account for the year ended March 31, 2021. However, the effect of the proposed dividend has been reckoned in determining capital funds in the computation of Capital adequacy ratio as on March 31, 2021.

As per the Income-tax Act, 1961, as amended by the Finance Act, 2020, dividends paid or distributed by a company on or after 1st April 2020 shall be taxable in the hands of the shareholders. The Company shall, therefore, be required to deduct tax at source at the time of making the payment of the dividend, if approved, at the Annual General Meeting (AGM) of the Company, at the applicable rate. Accordingly, there is no amount is required to be appropriated towards tax on dividend.

In respect of the year ended March 31, 2020 the board of directors had not recommended any dividend in view of the direction from the RBI vide its circular dated April 17 ,2020 that banks shall not make any further dividend payouts from profits pertaining to the financial year ended March 31, 2020 until further instructions, with a view that banks must conserve capital in an environment of heightened uncertainty caused by COVID-19 pandemic.

SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD...)

1.2 EMPLOYEE BENEFITS (AS 15)

1.2.1 Defined Contribution Plan

The Bank

Provident Fund

Employees, who have not opted for pension plan are eligible to get benefits from provident fund, which is a defined contribution plan. Aggregate contributions along with interest thereon are paid on retirement, death, incapacitation, or termination of employment. Both the employee and the Bank contribute a specified percentage of the salary to the Federal Bank (Employees') Provident Fund Trust. The Bank has no obligation other than the monthly contribution.

New Pension Scheme

As per the industry level settlement dated April 27, 2010, a Defined Contributory Pension Scheme (DCPS) in line with the New Pension Scheme (introduced for employees of Central Government) was implemented and employees who are covered under New Pension Scheme are not eligible for the existing pension scheme. Employee shall contribute 10% of their Basic Pay and Dearness Allowance towards DCPS and the Bank will also make a matching contribution. There is no separate Provident Fund for employees covered under New Pension Scheme.

The Subsidiaries

The subsidiaries have defined contribution plans for employees comprising of Provident Fund and Employee State Insurance. The contributions paid/payable to these plans during the year are charged to Profit and Loss Account for the year.

Group

The Group makes Provident Fund, Employee State Insurance Scheme Contributions and Defined Contributory Pension Scheme for Qualifying Employees. Under the schemes, the Group is required to contribute a specified percentage of the payroll costs to fund the benefits. The Group recognised ₹ 7.37 Crore (Previous year: ₹ 5.26 Crore) for provident fund contributions, ₹ 0.64 Crore (Previous Year ₹ 0.48 Crore) for Employee State Insurance Scheme Contributions and ₹ 45.79 Crore (Previous year: ₹ 36.39 Crore) for DCPS in the consolidated Profit and Loss Account. The Contributions payable to these plans by the group are at the rates specified in the Rules of the Schemes.

1.2.2 Defined benefit plan

A. Gratuity

The Bank

The Bank provides for Gratuity, a defined benefit retirement plan (the "Gratuity Plan") covering the eligible employees. The Gratuity Plan provides a lump sum payment to vested employees on retirement, death, incapacitation or termination of employment, of an amount based on the respective employees' salary and the tenure of employment. Vesting occurs upon completion of five years of service as per Payment of Gratuity Act, 1972 and its amendment with effect from May 24, 2010 or as per the provisions of the Federal Bank Employees' Gratuity Trust Fund Rules / Bi-partite Award provisions. Liabilities with regard to the Gratuity Plan are determined by Actuarial valuation as on the Balance Sheet date, based upon which, the Bank contributes all the ascertained liabilities to the Federal Bank Employees' Gratuity Trust Fund (the "Trust"). Trustees administer contributions made to the Trust and contributions are invested in specific investments as permitted by law.

Federal Bank Financial Services Limited

Payment of gratuity to employees is covered by the "Exide Life Group Gratuity Unit Linked Scheme" of the Exide life Insurance Company Limited, which is a defined benefit scheme and the company makes contribution under the said scheme. The net present value of the obligation for gratuity benefits as determined on the independent actuarial valuation, conducted annually using the projected unit credit method, as adjusted for unrecognised past service cost if any and as reduced by the fair value of planned asset is recognized in the accounts. Actuarial gains and losses are recognized in full in the statement of profit & loss for the period in which they occur.

SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD...)

Federal Operations and Services Limited

The company pays gratuity, a defined benefit plan, to employees who retire or resign. The Company provides gratuity to the eligible employees as a terminal benefit. These liabilities are determined on the basis of actuarial valuation under projected unit credit method at the Balance Sheet date. Actuarial gains and losses are recognised in full in the Statement of Profit and Loss for the period in which they occur.

B. Superannuation / Pension

The Bank

The Bank provides for monthly pension, a defined benefit retirement plan (the "pension plan") covering eligible employees. The pension plan provides a monthly pension after retirement of the employees till death and to the family after the death of the pensioner. The monthly pension is based on the respective employees' salary and the tenure of employment. Vesting occurs upon completion of ten years of service. Liabilities with regard to the pension plan are determined by actuarial valuation as on the Balance Sheet date, based upon which, the Bank contributes all the ascertained liabilities to the Federal Bank (Employees') Pension Fund Trust (the "Trust"). Trustees administer contributions made to the Trust and contributions are invested in specific investments as permitted by law.

The following table as furnished by Actuary sets out the funded status of gratuity / pension plan and the amount recognized in the Group's financial statements as at March 31, 2021.

i) Change in benefit obligations (₹ in Crore)

Particulars	Gratuity Plan						Pension Plan	
	FBL		FFSL		FOSL		FBL	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
Projected benefit obligation, beginning of the year	374.63	329.19	1.81	1.07	0.06	*	1,197.98	983.39
Current Service Cost	37.79	20.39	0.99	0.59	0.11	0.06	224.60	168.92
Interest cost	24.22	21.19	0.10	0.07	*	*	70.22	59.17
Actuarial (gain)/ loss	83.38	43.54	(0.30)	0.19	(0.01)	*	330.11	223.26
Benefits paid	(52.21)	(39.68)	(0.11)	(0.11)	-	-	(336.63)	(236.76)
Projected benefit obligation, end of the year	**467.81**	**374.63**	**2.49**	**1.81**	**0.16**	**0.06**	**1,486.28**	**1,197.98**

* *denotes figures less than ₹ 1 lakh*

ii) Change in plan assets (₹ in Crore)

Particulars	Gratuity Plan				Pension Plan	
	FBL		FFSL		FBL	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
Plan assets at beginning of the year at fair value	369.30	334.23	1.49	1.10	1,129.93	978.09
Expected return on plan assets	22.20	24.53	0.10	0.09	80.68	73.26
Actuarial gain/(loss)	2.29	0.38	0.15	(0.01)	9.83	2.85
Employer's Contributions	127.91	49.84	0.69	0.41	610.90	312.49
Benefits paid	(52.21)	(39.68)	(0.11)	(0.10)	(336.63)	(236.76)
Plan assets at end of the year, at fair value	**469.49**	**369.30**	**2.33**	**1.49**	**1,494.71**	**1,129.93**

SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD...)

iii) Reconciliation of present value of the obligation and the fair value of the plan assets (₹ in Crore)

Particulars	Gratuity Plan						Pension Plan	
	FBL		FFSL		FOSL		FBL	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
Fair value of plan assets at the end of the year	469.49	369.30	2.33	1.49	-	-	1,494.71	1,129.93
Present value of the defined benefit obligations at the end of the year	467.81	374.63	2.49	1.81	0.16	0.06	1,486.28	1,197.98
Liability/ (Asset) recognized in the Consolidated Balance Sheet	**(1.68)**	**5.33**	**0.17**	**0.31**	**0.16**	**0.06**	**(8.43)**	**68.05**

iv) Gratuity / Pension cost for the year ended March 31, 2021 (₹ in Crore)

Particulars	Gratuity Plan						Pension Plan	
	FBL		FFSL		FOSL		FBL	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
Current Service cost	37.79	20.39	0.99	0.59	0.11	0.06	224.60	168.92
Interest cost	24.22	21.19	0.10	(0.02)	*	*	70.22	59.17
Expected return on plan assets	(22.20)	(24.53)	(0.10)	0.01	-	-	(80.68)	(73.26)
Actuarial (gain)/loss	81.09	43.15	(0.46)	0.19	(0.01)	*	320.28	220.41
Net Cost	120.90	60.20	0.53	0.77	0.10	0.06	534.42	375.24
Net Cost Debit to Consolidated Profit and Loss Account	120.90	60.20	0.53	0.77	0.10	0.06	534.42	375.24
Actual return on plan assets#	24.49	24.91	-	-	-	-	90.52	76.11

* *denotes figures less than ₹ 1 lakh*

#Figures taken from Audited Financial statements of respective trusts.

v) Investment details of plan Assets* (₹ in Crore)

Particulars	Gratuity Plan		Pension Plan	
	FBL		FBL	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
Central and state Government bonds	-	-	-	-
Other debt securities	-	-	5.00	7.99
Balance in Saving bank account with the Bank	0.01	2.42	0.01	4.14
Net current assets	-	0.01	0.32	0.53
Balance with LIC/ABSL#	469.48	366.87	1,489.38	1,117.27
Total	**469.49**	**369.30**	**1,494.71**	**1,129.93**

** - Figures taken from Audited Financial statements of respective trusts.*

 # In the absence of detailed information regarding plan assets which is funded with Life Insurance Corporation of India (LIC) and Aditya Birla Sun Life Insurance Company Limited (ABSL), the composition of each major category of plan assets, the percentage or amount for each category to the fair value of plan assets has not been disclosed.

SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD...)

vi) Experience adjustments

a) Gratuity Plan

FBL

(₹ in Crore)

Particulars	March 31, 2021	March 31, 2020	March 31,2019	March 31,2018	March 31,2017	March 31,2016
Defined Benefit Obligations	467.81	374.63	329.19	311.55	260.48	246.09
Plan Assets	469.49	369.30	334.23	265.75	261.54	225.66
Surplus/[Deficit]	1.68	(5.33)	5.04	(45.80)	1.06	(20.43)
Experience adjustments on Plan Liabilities [Gain/(Loss)]	(89.21)	(10.09)	(6.56)	(7.08)	2.18	(46.00)
Experience Adjustments on Plan Assets [Gain/(Loss)]	7.20	3.29	0.77	1.97	(0.42)	(1.97)

FFSL

(₹ in Crore)

Particulars	March 31, 2021	March 31, 2020	March 31, 2019	March 31, 2018	March 31, 2017	March 31, 2016
Defined Benefit obligations	2.49	1.81	1.07	0.64	0.46	0.19
Plan Assets	2.33	1.49	1.10	Nil	Nil	Nil
Surplus/[Deficit]	(0.16)	(0.31)	0.03	(0.64)	(0.46)	(0.19)
Experience adjustments on Plan Liabilities [Gain/(Loss)]	0.29	(0.07)	0.04	0.05	0.03	0.10
Experience adjustments on Plan Assets [Gain/(Loss)]	0.15	(0.01)	0.01	NA	NA	NA

NA – Not Applicable.

b) Pension Plan

FBL

(₹ in Crore)

Particulars	March 31, 2021	March 31, 2020	March 31, 2019	March 31, 2018	March 31, 2017	March 31, 2016
Defined Benefit Obligations	1,486.28	1,197.98	983.39	899.64	737.38	637.50
Plan Assets	1,494.71	1,129.93	978.09	893.06	746.33	578.27
Surplus/[Deficit]	8.43	(68.05)	(5.30)	(6.58)	8.95	(59.23)
Experience adjustments on Plan Liabilities [Gain/(Loss)]	(327.78)	(95.10)	(39.39)	(33.27)	93.67	(142.49)
Experience adjustments on Plan Assets [Gain/(Loss)]	13.79	7.54	(3.14)	9.60	6.66	0.18

vii) Assumptions

Particulars	Gratuity Plan						Pension Plan	
	FBL		FFSL		FOSL		FBL	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
Discount rate	6.95%	6.85%	5.60%	5.59%	6.76%	6.71%	6.82%	6.84%
Annuity rate per Rupee	-	-	-	-	-	-	150.83000	134.98313
Salary escalation rate	5.00%	5.00%	6.50%	6.50%	5.00%	5.00%	5.00%	5.00%
Estimated rate of return on plan assets	6.01%	7.34%	-	-	-	-	7.14%	7.49%
Attrition Rate	2.00%	2.00%	Not Available	Not Available	-	-	1.00%	1.00%
Mortality Table	IALM 2006-08 Ultimate	IALM 2006-08 Ultimate	IALM 2012-14 Ultimate	IALM 2006-08 Ultimate	IALM 2012-14 Ultimate	IALM 2006-08 Ultimate	IALM 2006-08 Ultimate	IALM 2006-08 Ultimate

SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD...)

The estimates of future salary increase considered in actuarial valuation take account of inflation, seniority, promotion and other relevant factors.

The expected rate of return on plan assets is based on the average long-term rate of return expected on investments of the Fund during the estimated term of the obligations.

As the contribution expected to be paid to the defined benefit plans during the annual period beginning after the balance sheet date is based on various internal / external factors, a best estimate of the contribution is not determinable.

The above information except otherwise stated is as certified by the actuary and relied upon by the auditors.

(C) Leave Encashment/ Sick Leave / Leave Travel Concession / Unavailed Casual Leave

The Bank

The employees of the Bank are entitled to compensated absence. The employees can carry forward a portion of the unutilised accrued compensated absence and utilise it in future periods or receive cash compensation at retirement or termination of employment for the unutilized accrued compensated absence for a maximum of 240 days. The Bank records an obligation for compensated absences in the period in which the employee renders the services that increase this entitlement. The Bank measures the expected cost of compensated absence as the additional amount that the Bank expects to pay as a result of the unused entitlement that has accumulated at the balance sheet date based on actuarial valuations.

A sum of ₹ 55.69 Crore has been provided towards the above liabilities in accordance with AS 15 based on actuarial valuation. (Previous Year: ₹ 25.55 Crore)

Federal Bank Financial Services Limited

The company has a scheme for compensated absences for employees, the liability of which is determined on the basis of an independent actuarial valuation carried out at the end of the year, using the projected unit credit method. Actuarial gains and losses are recognised in full in the Profit and Loss Account for the year in which they occur.

The Actuarial liability of compensated absences of accumulated privilege, sick, casual leaves and leave travel concession of the employees of the Group is given below:

(₹ in Crore)

	March 31, 2021		March 31, 2020	
	FBL	**FFSL**	**FBL**	**FFSL**
Privilege leave	219.59	2.36	168.29	1.20
Sick leave	22.12	-	18.25	-
Leave Travel Concession	21.26	-	20.43	-
Casual Leave	1.23	-	1.54	-
Total actuarial liability	**264.20**	**2.36**	**208.51**	**1.20**
Assumptions				
Discount rate	6.95%	5.60%	6.85%	5.90%
Salary escalation rate	5.00%	6.50%	5.00%	6.50%
Attrition Rate	2.00%	Not Available	2.00%	Not Available

The discount rate is based on the prevailing market yields of Government of India securities as at the Balance Sheet date for the estimated term of the obligations.

The estimate of future salary increases considered, takes into account the inflation, seniority, promotion, increments and other relevant factors.

The above information is as certified by the actuary and relied upon by the auditors.

SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD...)

1.3 Segment Reporting (AS 17)

A. Business Segments

Business of the Group is divided into four segments viz. Treasury, Corporate or Wholesale Banking, Retail Banking and other banking operations. The principal activities of these segments and income and expenses structure are as follows:

Treasury

Treasury operations include trading and investments in Government Securities and corporate debt instruments, equity and mutual funds, derivatives, and foreign exchange operations on proprietary account and for customers.

The income of this segment primarily consists of earnings in the form of interest from the investment portfolio of the bank, gains, losses, margins, and fee/charges on trading and foreign exchange operations. The principal expense of the segment consists of interest expense on funds borrowed/utilized and other allocated overheads. Provisions allocated to the segment consists of diminution in the value of portfolio of the segment

Corporate/Wholesale Banking:

The segment consists of lending of funds, acceptance of deposits and other banking services to corporates, trusts, partnership firms, statutory bodies which are not considered under retail banking segment.

Revenue of this segment consists of interest earned on loans made to such customers and charges /fees carried from other banking services to them. The principal expenses of the segment consist of interest expenses on funds utilized and other expenses allocated as per the methodology approved by the board of the bank. Provisions allocated to the segment includes the loan loss provision and standard asset provision created for the portfolio under the segment.

Retail banking:

Retail banking constitutes lending of funds, acceptance of deposits and other banking services to any legal person including small business customers, based on the status of the borrower, nature of the product, granularity of the exposure and quantum thereof.

Revenue of this segment consists of interest earned on loans made to such customers and charges /fees carried from other banking services to them including para-banking operations. The principal expenses of the segment consist of interest expenses on funds utilized and other expenses allocated as per the methodology approved by the board of the bank. Provisions allocated to the segment includes the loan loss provision and standard asset provision created for the portfolio under the segment.

Other Banking Operations

This segment includes banking transactions, not covered under any of the above segments. The income from such services and associated costs are disclosed in this segment.

Unallocated

All items that are reckoned at Enterprise level and cannot be allocated to reportable segments are included in unallocated portion. These mainly includes provision for tax (net of advance tax), deferred tax asset/liability, Fixed assets, Cash and Balances in other bank current accounts, etc. Unallocated segment revenue consists of profit on sale of Fixed assets, Notice pay on resignation of employees etc.

SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD...)

The following table sets forth, for the periods indicated, the business segment results:

March 31, 2021 (₹ in Crore)

Business Segments	Treasury	Corporate/ Wholesale Banking	Retail Banking	Other Banking Operations	Total
Revenue	2,731.35	4,519.07	9,019.08	-	16,269.50
Result (Net of provisions)	722.26	215.47	1,268.39	-	2,206.12
Unallocated Income / (expense)					2.44
Operating profit (PBT)					2,208.56
Income taxes					(561.36)
Share in Profit of associates					32.37
Minority Interest					(15.24)
Extraordinary profit/loss					-
Net Profit					1,664.33
OTHER INFORMATION					
Segment Assets	44,796.57	70,839.59	82,825.63	-	198,461.79
Unallocated assets					6,504.74
Total assets					204,966.53
Segment liabilities	14,032.76	16,099.60	156,117.03	-	186,249.39
Unallocated liabilities					1,998.18
Total liabilities					188,247.57

March 31, 2020 (₹ in Crore)

Business Segments	Treasury	Corporate/ Wholesale Banking	Retail Banking	Other Banking Operations	Total
Revenue	2,237.96	4,866.14	8,368.10	-	15,472.20
Result (Net of provisions)	384.36	184.21	1,495.76	-	2,064.33
Unallocated Income / (expense)					(4.36)
Operating profit (PBT)					2,059.97
Income taxes					(507.20)
Share in Profit of associates					37.71
Minority Interest					(10.28)
Extraordinary profit/loss					-
Net Profit					1,580.20
OTHER INFORMATION					
Segment Assets	37,654.64	69,975.31	68,329.86	-	175,959.81
Unallocated assets					7,393.52
Total assets					183,353.33
Segment liabilities	16,261.74	12,911.43	136,495.98	-	165,669.15
Unallocated liabilities					2,680.86
Total liabilities					168,350.01

B. Geographical Segment Information

The Business operations of the Bank are largely concentrated in India and for purpose of Segmental reporting, the bank considered to operate only in domestic segment, though the bank has its operation in International Finance Service Centre (IFSC) Banking Unit in Gujarat International Finance Tec-city (GIFT). The business conducted from the same is considered as a part of Indian operations.

SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD...)

Segment information is provided as per the MIS available for internal reporting purposes, which include certain estimates/ assumptions. The methodology adopted in compiling and reporting the above information has been relied upon by the auditors.

Note: Pursuant to Board approved policy on preparation of segment information, the Bank, with effect from quarter ended June 30, 2020, has revised the basis of preparation of segment information on a direct identification basis with the aid of Internal Transfer pricing mechanism for more appropriate presentation of the segment results. Accordingly, figures for the previous year have been regrouped / reclassified to conform to current period's classification. The change in segment information has no impact on the overall Revenue, Results, and Capital employed of the bank for the year ended March 31, 2021 or the previous year.

1.4 Related Party Disclosures (AS 18)

a) Details of Related Parties:

Name of the entity	Nature of Relationship
Ageas Federal Life Insurance Company Limited	Associate
Equirus Capital Private Limited	Associate
Fedbank Hormis Memorial Foundation	Entity in which KMPs can exercise significant influence

Key Management Personnel

Name of the Key Management Personnel	Relatives of the Key Management Personnel
Mr. Shyam Srinivasan, Managing Director & CEO	▪ Mr. T S Srinivasan ▪ Ms. Kamala Srinivasan ▪ Ms. Maya Shyam ▪ Ms. Meena Lochani ▪ Ms. Rohini
Mr. Ashutosh Khajuria, Executive Director & CFO	▪ Ms. Sunita Khajuria ▪ Ms. Vasundhara Khajuria ▪ Ms. Yashodhara Khajuria
Ms. Shalini Warrier, Executive Director & COO	▪ Ms. Parvathi Warrier ▪ Ms. Asha Warrier

b) Transactions with related parties

For the year ended March 31, 2021 (₹ in Crore)

Items/Related Party	Associates	Key Management Personnel	Relatives of KMP	Total
Deposits#	17.17 (40.27)	3.60 (3.99)	1.41 (1.41)	22.18 (45.67)
Advances#	5.39 (28.78)	0.25 (0.28)	- -	5.64 (29.06)
Investments in Shares#	229.60 (229.60)	- -	- -	229.60 (229.60)
Interest paid	0.55	0.14	0.07	0.76
Interest received	0.23	0.01	-	0.24
Income from Services Rendered to	46.95	-	-	46.95
Receivable from	8.30	-	-	8.30

SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD...)

Items/Related Party	Associates	Key Management Personnel	Relatives of KMP	Total
Remuneration paid	-	4.56	-	4.56
Share capital received on exercise of ESOS	-	1.22	-	1.22
No. of Options granted under ESOS (in numbers)	-	-	-	-
No. of Options outstanding under ESOS (in numbers)	-	3,310,680	-	3,310,680

 # - Represents outstanding as on March 31, 2021

Figures in bracket indicate maximum balance outstanding during the year based on comparison of the total outstanding balances at each month end.

In accordance with RBI guidelines, details pertaining to the related party transactions have not been provided where there is only one related party in a category.

For the year ended March 31, 2020 (₹ in Crore)

Items/Related Party	Associates	Key Management Personnel	Relatives of KMP	Total
Deposits#	20.80 (26.06)	3.08 (3.08)	1.03 (1.05)	24.91 (30.19)
Advances#	- -	0.28 (0.53)	- -	0.28 (0.53)
Investments#	228.21 (228.21)	- -	- -	228.21 (228.21)
Interest paid	0.49	0.05	0.04	0.58
Interest received	-	0.02	-	0.02
Income from Services Rendered to	43.93	-	-	43.93
Receivable from	9.13	-	-	9.13
Remuneration paid	-	4.53	-	4.53
Dividend Received	30.57	-	-	30.57
Dividend Paid	-	1.18	-	1.18
Share capital received on exercise of ESOS	-	0.47	-	0.47
No. of Options granted under ESOS (in numbers)	-	800,000	-	800,000
No. of Options outstanding under ESOS (in numbers)	-	4,120,680	-	4,120,680

 # - Represents outstanding as on March 31, 2020

Figures in bracket indicate maximum balance outstanding during the year based on comparison of the total outstanding balances at each month end.

In accordance with RBI guidelines, details pertaining to the related party transactions have not been provided where there is only one related party in a category.

SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD...)

The significant transactions between the Group and the related parties during the year ended March 31, 2021 and March 31, 2020 are given below. A specified related party transaction is disclosed as a significant related party transaction wherever it exceeds 10% of the aggregate value of all related party transactions in that category:

(₹ in Crore)

Nature of Transaction	Name of the Related party	March 31, 2021	March 31, 2020
Deposits	Equirus Capital Private Limited	17.15	*
	Mr. Shyam Srinivasan	2.61	1.98
Advances	Equirus Capital Private Limited	5.39	-
Investments in Shares	Ageas Federal Life Insurance Company Limited	208.00	208.00
Interest paid	Ageas Federal Life Insurance Company Limited	0.55	0.48
	Mr. Shyam Srinivasan	0.09	0.01
Interest received	Equirus Capital Private Limited	0.23	-
Income from Services Rendered to	Ageas Federal Life Insurance Company Limited	46.94	43.93
Receivable from	Ageas Federal Life Insurance Company Limited	8.30	9.13
Remuneration paid	Mr. Shyam Srinivasan	2.31	2.27
	Mr. Ashutosh Khajuria	1.17	1.20
	Ms. Shalini Warrier	1.09	1.06
Share capital received on exercise of ESOS	Mr. Ashutosh Khajuria	1.22	0.47
No. of Options outstanding under ESOS (in numbers)	Mr. Ashutosh Khajuria	847,500	1,400,000
No. of Options outstanding under ESOS (in numbers)	Ms. Shalini Warrier	2,142,500	2,400,000

* *denotes figures less than ₹ 1 lakh*

1.5 Operating Lease (AS 19):

The Bank

Lease payments for assets taken on operating lease are recognised as an expense in the Profit and Loss Account as per the lease terms. During the year an amount of ₹ 162.49 Crore (Previous year: ₹ 164.88 Crore) was charged to Profit and loss account.

Fedbank Financial Services Limited

The Company has entered into operating lease arrangement for its corporate office. The lease is non-cancellable and is for a period of 5 years and may be renewed for further period based on mutual agreement of the parties. The lease agreement provides for an increase in lease payment by 5% for every one year.

(₹ in Crore)

Particulars	March 31, 2021	March 31, 2020
Future minimum lease payments:		
- Up to one year	4.62	5.51
- More than one year and upto five years	11.07	15.06
- More than five years	-	-
Lease payments recognised in the Statement of Profit and Loss with respect to above mentioned operating lease arrangement	4.42	3.60

SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD...)

In addition, all other operating lease agreements entered into by the Company are cancellable in nature. Accordingly, the lease rental payments for taken on an operating lease ₹ 17.66 Crore (Previous Year ₹11.99 Crore) have been recognised as "Rent Paid" in the Statement of Profit and Loss.

Federal Operations and services Limited

The company has taken premises under rental arrangements, which are in the nature of cancellable operating leases except for rent of 2nd floor office in Visakhapatnam, which has a lock-in period of 3 years.

Future minimum lease payable under non-cancellable operating leases are as follows: (₹ in Crore)

Particulars	March 31, 2021	March 31, 2020
Future minimum lease payments:		
- Up to one year	0.56	0.72
- More than one year and upto five years	-	0.56
- More than five years	-	-
Lease payments recognised in the Statement of Profit and Loss with respect to above mentioned operating lease arrangement	0.72	0.69

1.6 Earnings per Share ('EPS') (AS 20)

Particulars	March 31, 2021	March 31, 2020
Weighted average number of equity shares used in computation of basic earnings per share (in 000's)	1,994,535	1,989,049
Weighted average number of equity shares used in computation of diluted earnings per share (in 000's)	2,001,686	2,004,059
Nominal Value of share (in ₹)	2.00	2.00
Basic earnings per share (in ₹)	8.34	7.94
Diluted earnings per share (in ₹)	8.31	7.88
Earnings used in the computation of basic and diluted earnings per share (₹ in '000)	16,643,338	15,801,960

1.7 Deferred Tax Assets / Liability (AS 22)

The major components of deferred tax assets and deferred tax liabilities are as under: (₹ in Crore)

Particulars	March 31, 2021	March31, 2020
Deferred Tax Liability		
Tax effect of items constituting deferred tax liability:		
(i) Interest accrued but not due	153.75	148.83
(ii) Depreciation on Investments	13.38	11.35
(iii) Special Reserve under Section 36 (1) (viii) of the Income Tax Act, 1961	168.12	137.64
(iv) Others	10.90	7.44
Total - (A)	**346.15**	**305.26**
Deferred Tax Asset		
Tax effect of items constituting deferred tax assets:		
(i) Interest/premium paid on purchase of securities	1.44	2.74
(ii) Provision for Standard Assets	185.42	157.58
(iii) Depreciation on Fixed Assets	11.76	11.66
(iv) Others	153.41	126.65
Total - (B)	**352.03**	**298.63**
Net Deferred tax liability/ (Asset) (A-B)	**(5.88)**	**6.63**

SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD...)

1.8 'Provisions and Contingencies' recognised in the Consolidated Profit and Loss Account include: (₹ in Crore)

		March 31, 2021	March 31, 2020
i)	Provision towards NPAs	1,547.04	1,012.48
ii)	Provision for depreciation Investments (Net)	14.74	63.50
iii)	Provision for Non-Performing Investments	3.90	5.37
iv)	Provision for Standard Assets	149.95	111.82
v)	Provision for Taxation	561.35	507.20
vi)	Provision towards present value of sacrifice on restructuring, other contingencies etc.	14.13	(5.95)
Total		**2,291.11**	**1,694.42**

1.9 Amount of Provisions made for income-tax during the year (₹ in Crore)

Particulars	March 31, 2021	March 31, 2020
Provision for Income Tax		
a) Current Tax	583.31	580.58
b) Deferred Tax	(21.95)	(73.38)
Total	**561.36**	**507.20**

1.10 Draw Down from Reserves

The Bank has not drawn down from any reserves during the year ended March 31, 2021 and March 31, 2020.

1.11 Details of Penalty imposed by RBI

The Bank (₹ in Lakhs)

Particulars		Year ended March 31, 2021	Year ended March 31, 2020
a)	Penalty imposed on currency chests	2.08	0.50
	Dates of Payment	Various dates	Various dates
b)	Penalty imposed on deficiency in regulatory compliances	Nil	50.00#
	Date of Payment	Not Applicable	August 14, 2019

 # Penalty was imposed by RBI vide letter EFD. CO. SO. 124 / 02.02.003 / 2019-20 dated August 05, 2019.

Fedbank Financial Services Limited

During the year ended March 31, 2021, RBI vide order ref EFD.CO.SO/372/02.14.148/2020-21 March 22 ,2021 in exercise of the powers conferred under clause (b) of sub-section (1) of section 58G read with clause (aa) of subsection (5) of section 58B of the Reserve Bank of India Act, 1934, a penalty of ₹ 15 Lakhs is imposed on Fedbank Financial Services Limited. (Previous Year ₹ Nil)

1.12 Fixed Assets

A) Fixed Assets as per Schedule 10 include Intangible Assets relating to Software and System Development Expenditure which are as follows:

(₹ in Crore)

Particulars	March 31, 2021	March 31, 2020
Gross Block		
At the beginning of the year	257.74	253.78
Additions during the year	55.87	28.95
Deductions / Adjustments during the year	0.49	24.99
At the end of the year	**313.12**	**257.74**
Depreciation / Amortisation		
At the beginning of the year	206.48	194.64
Charge for the year	26.67	36.70
Deductions during the year	0.47	24.86
Depreciation to date	**232.68**	**206.48**
Net Block	**80.44**	**51.26**

SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD...)

B) Revaluation of Fixed Assets

During the year 1995-96, the appreciation of ₹ 9.65 Crore in the value of land and buildings consequent upon revaluation by approved valuer was credited to Revaluation Reserve. There has been no revaluation of assets during the year ended March 31, 2021 and March 31, 2020.

C) Change in Accounting estimates

As per the requirements of Accounting Standard (AS) 10 – Property, Plant and Equipment, the Bank has reviewed useful life of all its fixed assets. Based on the review, the Bank has identified certain class of assets, wherein based on the technical evaluation / experience of the Bank, the useful life of the assets is different than those estimated in earlier periods, accordingly the Bank has revised useful life of certain identified class of assets, due to which depreciation charge for the financial year 2020-21 is lower by ₹ 22.12 crore.

1.13 Provisions and Contingencies

a) Movement in provision for non-credit related* frauds included under other liabilities: (₹ in Crore)

	March 31, 2021	March 31, 2020
Opening balance at the beginning of the year	5.76	4.46
Additions during the year	1.32	1.37
Reductions on account of payments during the year	1.54	0.07
Balance at the end of the year	**5.54**	**5.76**

** Provision for credit related frauds included in Provision towards NPAs.*

b) Movement in provision for debit card reward points: (₹ in Crore)

	March 31, 2021	March 31, 2020
Opening provision at the beginning of the year	15.58	5.19
Provision made during the year	15.39	36.49
Reductions during the year	25.13	26.10
Closing provision at the end of the year *	**5.84**	**15.58**

** The closing provision is based on the actuarial valuation of accumulated debit card reward points which has been relied on by auditors. This amount will be utilized towards redemption of the debit card reward points.*

c) Movement in provision for other contingencies: (₹ in Crore)

	March 31, 2021	March 31, 2020
Opening provision at the beginning of the year	31.28	55.49
Provision made during the year	14.35	3.57
Provision utilized for Write off during the year	2.30	1.04
Reductions during the year	1.11	26.74
Closing provision at the end of the year	**42.22**	**31.28**

d) Movement in floating provision: (₹ in Crore)

Particulars	Standard Assets Provisions		NPA Provision	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
Opening balance	12.75	12.75	69.18	69.18
Provision made during the year	-	-	-	-
Draw down from provision	-	-	-	-
Closing balance	**12.75**	**12.75**	**69.18**	**69.18**

SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD...)

e) COVID-19 – Uncertainties, Regulatory Packages, Asset Classification and Provisioning

The Bank

On account of uncertainties arising from the COVID-19 pandemic across the world and in India, including the current 'second wave' which has resulted in imposition of renewed restrictions in various parts of the country, the extent to which the same will impact the Bank's operations and financial position will depend on various aspects including actions taken to mitigate its impact and other regulatory measures. The Bank's capital and liquidity position is strong and would continue to be the focus area for the Bank during this period.

As per the 'COVID-19 Regulatory Packages' announced by the RBI ('the RBI guidelines'), with regard to providing relief to borrowers', whose accounts were standard as on February 29, 2020, the Bank, in accordance with the Board approved policy had offered moratorium on repayment of loan instalments and/or deferment of interest due between March 1, 2020 and August 31, 2020, including relaxation in certain parameters to all eligible borrowers, without considering the same as restructuring. In respect of such accounts that were granted moratorium, the asset classification remained standstill during the moratorium period.

The Honourable Supreme Court in a writ petition by Gajendra Sharma Vs Union of India & Anr vide its interim order dated September 3, 2020 had directed Banks that the accounts which were not declared Non performing asset (NPA) till August 31, 2020 shall not be declared NPA till further orders, pending disposal of the case by Supreme Court. Pursuant to the order, the Bank had not declared any account as NPA, which was not declared as NPA till August 31, 2020 as per the RBI Prudential norms on Income Recognition, Asset classification, and provisioning pertaining to advances., The interim order to not declare accounts as NPA has been vacated by the Honourable Supreme Court on March 23, 2021 vide judgement in the matter of Small-Scale Industrial Manufacturers Association vs. UOI & Ors and RBI has issued a circular dated April 07, 2021 thereon, in accordance with which the Bank has made the asset classification of borrower accounts which were granted moratorium as above, as per the applicable extant IRAC norms with effect from September 1, 2020.

Further, the Bank has permitted restructuring of eligible borrower accounts affected by the pandemic stress in accordance with the resolution framework prescribed by RBI and offered other relief measures under the various concessional schemes.

Provisions have been created by the Bank in respect of the above stated COVID-19 assistance schemes provided by the Bank to the borrowers, and in the opinion of the management, the provisions held are considered adequate based on the current facts and circumstances

Fedbank Financial Services Limited

The second wave of COVID-19 and resultant infections have been more significant than in the first wave. Some of our staff or their family members have been affected. With many of the states going in for curtailed activity / shut-downs – currently we expect the business risk to remain elevated at least for Q1, 22. With strong liquidity in the balance sheet and with a large amount of term facilities availed from banks which remain un-utilised, with our ability to retain collections at high levels in-spite of the impact on customers in the affected state, with increased realisation of benefits on the digital processes we began instituting, adequate impairment provisions against anticipated credit losses and a comparatively higher capital adequacy – we are in significantly better position than last year to face any adverse events – as they present themselves. The management continues to closely monitor for any material changes in the macroeconomic factors impacting the operations of the Company. Taking into consideration the impact arising from the COVID-19 pandemic on the economic environment, the Company has, during the year, continued to undertake a risk assessment of its credit exposures and in addition to the provision required as per the IRAC norms of RBI, it has recorded a total additional provision overlay of ₹ 45.26 crore as on March 31, 2021 (as on March 31, 2020: ₹ 5.47 crore) in the Balance sheet, to reflect deterioration in the macroeconomic outlook. The final impact of this pandemic is very uncertain, and the actual impact may be different than that estimated based on the conditions prevailing as at the date of approval of these financial results.

Federal Operations and Services Limited

Based on an assessment carried out by the management following the global outbreak of Coronavirus (COVID-19) pandemic, having regard to the overall national and global economic environment, taking into account internal and external information

SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD...)

available up to the date of approval of these financial statements, no material adjustments are required in the financial statements. The impact of the pandemic may be different from that estimated as at the date of approval of these financial statements and the management will continue to closely monitor any material changes to future economic conditions.

1.14 Description of contingent liabilities:

a) Claims against the Group not acknowledged as debts

These represent claims filed against the group in the normal course of business relating to various legal cases currently in progress. These also include demands raised by income tax and other statutory authorities and disputed by the group.

b) Liability on account of forward exchange and derivative contracts

The Bank presently enters into foreign exchange contracts and interest rate swaps with interbank Counterparties and Customers. Forward exchange contracts are commitments to buy or sell foreign currency at a future date at the contracted rate. Interest rate swaps are commitments to exchange fixed and floating interest rate cash flows in the same currency based on fixed rates or benchmark reference. The notional amounts of such foreign exchange contracts and derivatives provide a basis for comparison with instruments recognized on the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Bank's exposure to credit or price risks. The fluctuation of market rates and prices cause fluctuations in the value of these contracts and the contracted exposure become favorable (assets) or unfavorable (liabilities). The aggregate fair values of derivative financial assets and liabilities can fluctuate significantly as the aggregate contractual or notional amount of derivative financial instruments on hand can vary and the market rate fluctuations can decide the extent to which instruments are favorable or unfavorable.

c) Guarantees given on behalf of constituents

As a part of its banking activities, the Bank issues guarantees on behalf of its customers to enhance their credit standing. Guarantees represent irrevocable assurances that the Bank will make payments in the event of the customer failing to fulfill its financial or performance obligations.

d) Acceptances, endorsements, and other obligations

These include documentary credit issued by the Bank on behalf of its customers and bills drawn by the Bank's customers that are accepted or endorsed by the Bank.

e) Other items for which bank is contingently liable

Includes Capital commitments and amount transferred to RBI under the Depositor Education and Awareness (DEA) Fund.

(Refer Schedule 12 for amounts relating to Contingent Liabilities)

1.15 Provision for Long Term contracts

The Group has a process whereby periodically all long-term contracts (including derivative contracts) are assessed for material foreseeable losses. At the year end, the bank has reviewed and recorded adequate provision as required under any Law/ Accounting Standards for material foreseeable losses on such long term contracts (including derivative contracts) in the books of account and disclosed the same under the relevant notes in the financial statements.

1.16 Small and Micro Industries

The Bank

Under the Micro, Small and Medium Enterprises Development Act, 2006 which came into force from October 2, 2006, certain disclosures are required to be made relating to Micro, Small and Medium enterprises. There have been no reported cases of delays in payments to micro and small enterprises or of interest payments due to delays in such payments. The above is based on the information available with the Bank which has been relied upon by the auditors.

SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD...)

Fedbank Financial Services Limited

Under the Micro, Small and Medium Enterprises Development Act, 2006 which came into force from October 2, 2006, certain disclosures are required to be made relating to Micro, Small and Medium enterprises. Out of the trade payable of ₹ 5.32 crore (Previous year ₹ 8.70 crore), ₹ Nil (Previous year ₹ 0.10 crore) is due to Micro, Small and Medium Enterprises. The Company has taken steps to identify the suppliers who qualify under definition of micro, and small enterprises as defined under the Micro, Small and Medium Enterprises Development Act, 2006.

Federal Operations and Services Limited

The Company has taken steps to identify suppliers who qualify under the definition of Micro and Small Enterprises, as defined under the Micro, Small and Medium Enterprises Act 2006. Since no intimation has been received from the suppliers regarding their status under the said Act as at 31.03.2021, disclosures relating to amounts unpaid as at the year end, if any, have not been furnished.

1.17 Additional information on net assets and share of profits of the Bank, its subsidiaries, associates, and joint ventures as considered in the Consolidated Financial Statements.

March 31, 2021

Name of the entity	Net Assets i.e. total assets minus total liabilities		Share of profit or loss	
	As % of Consolidated Net Assets	Amount (₹ in Crore)	As % of Consolidated Profit or Loss	Amount (₹ in Crore)
Parent: The Federal Bank Limited	97.71%	16,123.61	95.55%	1,590.30
Subsidiary: Fedbank Financial Services Limited	1.85%	306.36	2.60%	43.36
Federal Operations and Services Limited	0.02%	2.82	0.11%	1.84
Associate: Ageas Federal Life Insurance Company Limited	0.41%	68.36	1.87%	31.05
Equirus Capital Private Limited	0.01%	1.08	(0.13)%	(2.22)
Total	**100.00%**	**16,502.23**	**100.00%**	**1,664.33**

March 31, 2020

Name of the entity	Net Assets i.e. total assets minus total liabilities		Share of profit or loss	
	As % of Consolidated Net Assets	Amount (₹ in Crore)	As % of Consolidated Profit or Loss	Amount (₹ in Crore)
Parent: The Federal Bank Limited	97.94%	14,517.60	97.63%	1,542.78
Subsidiary: Fedbank Financial Services Limited	1.78%	263.16	1.85%	29.26
Federal Operations and Services Limited	0.01%	0.98	0.08%	1.27
Associate: Ageas Federal Life Insurance Company Limited	0.25%	37.31	0.51%	7.97
Equirus Capital Private Limited	0.02%	3.30	(0.07%)	(1.08)
Total	**100.00%**	**14,822.35**	**100.00%**	**1,580.20**

SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD...)

1.18 Additional disclosure

Additional statutory information disclosed in the separate financial statements of the Bank and subsidiaries have no material bearing on the true and fair view of the consolidated financial statements and the information pertaining to the items which are not material have not been disclosed in the consolidated financial statements.

1.19 Figures for the previous year have been regrouped and reclassified, wherever necessary to conform to current year's presentation.

For and on behalf of the Board of Directors

Krishnakumar K Executive Vice President	Samir P Rajdev Company Secretary	Ashutosh Khajuria Executive Director & CFO (DIN: 05154975)	Shalini Warrier Executive Director (DIN: 08257526)
Venkatraman Venkateswaran Group President		Grace Elizabeth Koshie Chairperson (DIN: 06765216)	Shyam Srinivasan Managing Director & CEO (DIN: 02274773)

As per our report of even date

For Varma & Varma
Chartered Accountants
Firm's Registration No:
004532S

R Rajasekharan
Partner
Membership No: 22703
Place: Kochi

For Borkar & Muzumdar
Chartered Accountants
Firm's Registration No:
101569W

Devang Vaghani
Partner
Membership No: 109386
Place: Mumbai

Place: Kochi
Date : May 17, 2021

Directors:

C Balagopal	(DIN: 00430938)
A P Hota	(DIN: 02593219)
K Balakrishnan	(DIN: 00034031)
Siddhartha Sengupta	(DIN: 08467648)
Manoj Fadnis	(DIN: 01087055)
Sudarshan Sen	(DIN: 03570051)
Varsha Vasant Purandare	(DIN: 05288076)