



# Independent Auditor's Report

**To the Members of  
The Federal Bank Limited**

## Report on the Audit of the Standalone Financial Statements

### Opinion

We have audited the accompanying standalone financial statements of The Federal Bank Limited ('the Bank'), which comprise the standalone Balance Sheet as at March 31, 2021, the standalone Profit and Loss Account, the standalone Cash Flow statement for the year then ended and notes to the standalone financial statements, including a summary of significant accounting policies and other explanatory information in which are included the Returns for the year ended on that date audited by the branch auditors of the Bank's branches located across India.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone 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 Bank as at March 31, 2021, and its profit and its cash flows for the year ended on that date.

### Basis for Opinion

We conducted our audit of the standalone 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 Financial Statements' section of our report. We are independent of the Bank 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 standalone 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 we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone financial statements.

### Emphasis of Matter

We draw attention to Note No. 1.4.6(B)-7 of Schedule 18 to the Standalone 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 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 standalone financial statements for the financial year ended March 31, 2021. These matters were addressed in the context of our audit of the standalone 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
<b>Classification of Advances, Identification of Non-Performing Advances, Income Recognition and Provision on Advances (Schedule 9 read with Note 4.2 of Schedule 17 and Note 1.4 and Note 3.1 of Schedule 18 to the standalone financial statements)</b>	
(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.	Our audit approach / procedures towards Classification of Advances, Identification of Non-performing Advances, Income Recognition and Provision on Advances included the following:
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.	<ul style="list-style-type: none"> <li>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.</li> <li>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.</li> </ul>

## Independent Auditor's Report (Contd...)

Key Audit Matters	How our audit addressed the Key Audit Matters
<p>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.</p> <p>Significant judgements and estimates for NPA identification and provisioning could give rise to material misstatements on:</p> <ul style="list-style-type: none"> <li>- Completeness and timing of recognition of non-performing assets in accordance with criteria as per IRACP norms;</li> <li>- Measurement of the provision for non-performing assets based on loan exposure, ageing and classification of the loan, realizable value of security;</li> <li>- Appropriate reversal of unrealized income on the NPAs.</li> </ul> <p>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.</p> <p>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:</p> <ul style="list-style-type: none"> <li>- Requires proper control mechanism and significant level of estimation by the Bank;</li> <li>- Has significant impact on the overall financial statements of the Bank;</li> <li>- Could not be entirely covered through personal visits/ physical interaction with relevant branch staff as originally planned;</li> </ul> <p>we have ascertained this area as a Key Audit Matter.</p>	<ul style="list-style-type: none"> <li>- Performing other procedures including substantive audit procedures covering the identification of NPAs by the Bank. These procedures included: <ul style="list-style-type: none"> <li>(a) Considering testing of the exception reports generated from the application systems where the advances have been recorded.</li> <li>(b) 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.</li> <li>(c) Reviewing account statements and other related information of the borrowers selected based on quantitative and qualitative risk factors</li> <li>(d) 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</li> <li>(e) Considering audit reports and memorandum of changes issued by statutory branch auditors.</li> <li>(f) Considering Internal Audit, Systems Audit, Credit Audit and Concurrent Audit as per the policies and procedures of the Bank.</li> <li>(g) 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.</li> <li>(h) Examination of advances including stressed advances on a sample basis with respect to compliance with the RBI Master Circulars / Guidelines.</li> </ul> </li> </ul> <p>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.</p> <p>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.</p>





## Independent Auditor's Report (Contd...)

Key Audit Matters	How our audit addressed the Key Audit Matters
<p><b>(ii) Valuation of Investments, Identification of and provisioning for Non-Performing Investments (Schedule 8 read with Note 4.1 of Schedule 17 to the standalone financial statements)</b></p> <p>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.</p> <p>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.</p> <p>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.</p>	<p>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 -</p> <ul style="list-style-type: none"> <li>- 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;</li> <li>- We assessed and evaluated the process adopted for collection of information from various sources for determining market value of these investments;</li> <li>- 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;</li> <li>- 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;</li> <li>- 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.</li> </ul>
<p><b>(iii) Information Technology ('IT') Systems and Controls for financial reporting</b></p> <p>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.</p> <p>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.</p>	<p>As a part of our audit procedures for review of the Bank's IT systems and related controls for financial reporting:</p> <ul style="list-style-type: none"> <li>- We tested the design and operating effectiveness of the Bank's IT access controls over the information systems that are critical to financial reporting.</li> <li>- We tested IT general controls (logical access, changes management and aspects of IT operational controls). This included testing that requests for access to systems were reviewed and authorised. 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.</li> </ul>

## 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.	<ul style="list-style-type: none"> <li>- 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. 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.</li> </ul>
<b>(iv) Assessment of Provisions and Contingent Liabilities (Refer note 4.13&amp; 4.20 of Schedule 17 to the standalone financial statements)</b>	
<p>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 standalone financial statements) and various employee benefits schemes (Schedule 5 to the standalone financial statements) was identified as a significant audit area.</p> <p>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.</p> <p>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.</p> <p>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.</p>	<p>Our audit approach / procedures involved:</p> <ul style="list-style-type: none"> <li>- Obtaining an understanding of internal controls relevant to the identification of litigations and legal cases to be reported;</li> <li>- Understanding the current status of the litigations/tax assessments;</li> <li>- Examining recent orders and/or communication received from various tax authorities/ judicial forums and follow up action thereon;</li> <li>- 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;</li> <li>- 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</li> <li>- 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.</li> <li>- 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.</li> <li>- Verification of disclosures related to significant litigations, taxation matters and Employee benefits liabilities in the standalone financial statements.</li> </ul>





## Independent Auditor's Report (Contd...)

### Information other than the standalone 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 standalone 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 standalone 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 standalone 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 standalone 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 standalone 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 of these standalone financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Bank 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. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Bank 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 standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the standalone financial statements, Management and Board of Directors are responsible for assessing the Bank's ability 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 Bank or to cease operations, or has no realistic alternative but to do so.

Those Board of Directors are also responsible for overseeing the Bank's financial reporting process.

### Auditor's Responsibilities for the audit of the standalone Financial Statements

Our objectives are to obtain reasonable assurance about whether the standalone 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 standalone 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 standalone 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.
- 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 standalone 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 standalone financial statements made by management.

## Independent Auditor's Report (Contd...)

- 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 Bank's ability to continue as a going concern. 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 standalone 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 Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance 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 standalone 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 standalone financial statements of the Bank whose financial statements reflect total assets of Rs.84,157 crores as at March 31, 2021 and total revenue of Rs.3755 crores for the year ended on that date, as considered in the standalone 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 standalone 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 standalone financial statements.

Our opinion is not modified in respect of the above matters.

### Report on Other Legal and Regulatory Requirements

The standalone Balance Sheet and the standalone Profit and Loss Account have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 and Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014.

As required by sub-section (3) of section 30 of the Banking Regulation Act, 1949, we report that:

- (a) we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit and have found them to be satisfactory;
- (b) the transactions of the Bank, which have come to our notice, have been within the powers of the Bank; and
- (c) the returns received from the offices and branches of the Bank have been found adequate for the purposes of our audit.

Further, as required by section 143(3) of the Act, we report 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;
- b) In our opinion, proper books of account as required by law have been kept by the Bank so far as it appears from our examination of those books and proper returns adequate for the purposes of our audit have been received from branches not visited by us;
- c) The reports on the accounts of the branch offices of the bank audited under section 143(8) of the Act by branch auditors of the Bank have been sent to us and have been properly dealt with by us in preparing this report;
- d) The standalone Balance Sheet, the standalone Profit and Loss Account, the standalone Cash Flow Statement dealt







## Independent Auditor's Report (Contd...)

with by this report are in agreement with the books of account and with the returns received from the branches not visited by us;

- e) In our opinion, the aforesaid standalone 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;
- f) On the basis of written representations received from the directors as on March 31, 2021 and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2021 from being appointed as a director in terms of Section 164(2) of the Act;
- g) With respect to the adequacy of the internal financial controls over financial reporting of the Bank with reference to these standalone financial statements and the operating effectiveness of such controls, refer to our separate Report in "Annexure A" to this report;
- h) In our opinion, the entity 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;
- i) 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 Bank has disclosed the impact of pending litigations on its financial position in its standalone financial statements - Refer Schedule 12 and Note No 4.7 under Schedule 18 to the standalone financial statements;
- ii. The Bank has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long term contracts including derivative contracts - Refer Note 4.12 under Schedule 18 to the standalone 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.

### For Varma & Varma

Chartered Accountants  
FRN: 0045325

### R Rajasekharan

Partner  
M. No.22703  
UDIN:21022703AAAAAF3064

Kochi-19  
May 17, 2021

### For Borkar & Muzumdar

Chartered Accountants  
FRN: 101569W

### Devang Vaghani

Partner  
M. No. 109386  
UDIN: 21109386AAAAEV9122

Mumbai-55  
May 17, 2021

## Independent Auditor's Report (Contd...)

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

#### Report on the Internal Financial Controls Over Financial Reporting with reference to standalone 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 standalone financial statements of The Federal Bank Limited ('the Bank') as at March 31, 2021 in conjunction with our audit of the standalone financial statements of the Bank for the year ended on that date.

#### Management's Responsibility for Internal Financial Controls over Financial Reporting

The Bank's Management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Bank 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 Bank'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 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 is sufficient and appropriate to provide a basis for our audit opinion on the Bank's internal financial controls system over financial reporting.

#### Meaning of Internal Financial Controls Over Financial Reporting

A bank's internal financial control over financial reporting 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 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 financial statements.







## Independent Auditor's Report (Contd...)

### Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting with reference to 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 reporting to future periods are subject to the risk that the internal financial control over financial reporting 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 has, in all material respects, an adequate internal financial controls system over financial reporting with reference to 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 criteria established by the Bank 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

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

Our opinion is not modified in respect of this matter.

#### For Varma & Varma

Chartered Accountants  
FRN: 004532S

#### R Rajasekharan

Partner  
M. No.22703  
UDIN: 21022703AAAAAF3064

Kochi-19  
May 17, 2021

#### For Borkar & Muzumdar

Chartered Accountants  
FRN: 101569W

#### Devang Vaghani

Partner  
M. No. 109386  
UDIN: 21109386AAAAEV9122

Mumbai-55  
May 17, 2021

# Balance Sheet

as at March 31, 2021

(₹ in Thousand)

	Schedule	As at March 31, 2021	As at March 31, 2020
<b>CAPITAL AND LIABILITIES</b>			
Capital	1	3,992,301	3,985,325
Reserves and surplus	2	157,243,787	141,190,757
Deposits	3	1,726,444,801	1,522,900,849
Borrowings	4	90,685,033	103,724,263
Other Liabilities and provisions	5	35,307,956	34,579,275
<b>TOTAL</b>		<b>2,013,673,878</b>	<b>1,806,380,469</b>
<b>ASSETS</b>			
Cash and balances with Reserve Bank of India	6	76,470,407	61,749,085
Balances with banks and money at call and short notice	7	119,443,464	63,996,728
Investments	8	371,862,100	358,926,789
Advances	9	1,318,786,014	1,222,679,148
Fixed assets	10	4,911,286	4,799,853
Other assets	11	122,200,607	94,228,866
<b>TOTAL</b>		<b>2,013,673,878</b>	<b>1,806,380,469</b>
Contingent liabilities	12	364,173,432	344,600,704
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 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 Warriar  
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:  
0045325

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

Place: Kochi  
Date : May 17, 2021

## Directors:

C Balagopal  
A P Hota  
K Balakrishnan  
Siddhartha Sengupta  
Manoj Fadnis  
Sudarshan Sen  
Varsha Vasant Purandare

(DIN: 00430938)  
(DIN: 02593219)  
(DIN: 00034031)  
(DIN: 08467648)  
(DIN: 01087055)  
(DIN: 03570051)  
(DIN: 05288076)





# Profit and Loss Account

for the year ended March 31, 2021

(₹ in Thousand)

	Schedule	Year ended March 31, 2021	Year ended March 31, 2020
<b>I. INCOME</b>			
Interest earned	13	137,579,023	132,107,534
Other income	14	19,449,127	19,314,075
<b>TOTAL</b>		<b>157,028,150</b>	<b>151,421,609</b>
<b>II. EXPENDITURE</b>			
Interest expended	15	82,241,953	85,618,494
Operating expenses	16	36,917,229	33,756,132
Provisions and contingencies		21,965,995	16,619,172
<b>TOTAL</b>		<b>141,125,177</b>	<b>135,993,798</b>
<b>III. PROFIT/LOSS</b>			
Net profit for the year		15,902,973	15,427,811
Profit brought forward from Previous Year		26,166,675	21,742,841
		<b>42,069,648</b>	<b>37,170,652</b>
<b>IV. APPROPRIATIONS</b>			
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
Dividend pertaining to previous year paid during the year (Note 4.2 E of Schedule 18)		-	2,782,229
Tax on dividend (Note 4.2 E of Schedule 18)		-	571,895
Balance carried over to Balance Sheet		33,053,829	26,166,675
<b>TOTAL</b>		<b>42,069,648</b>	<b>37,170,652</b>
Earnings per share (Face value of ₹ 2/- each) (₹) (Note 4.1 of Schedule 18)			
Basic		7.97	7.76
Diluted		7.94	7.70
Significant accounting policies	17		
Notes on accounts	18		
Schedules referred to above form an integral part of the Profit and Loss account			

## 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 Warriar  
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:  
0045325

R Rajasekharan  
Partner  
Membership No: 22703  
Place: Kochi

Place: Kochi  
Date : May 17, 2021

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

Devang Vaghani  
Partner  
Membership No: 109386  
Place: Mumbai

## Directors:

C Balagopal  
A P Hota  
K Balakrishnan  
Siddhartha Sengupta  
Manoj Fadnis  
Sudarshan Sen  
Varsha Vasant Purandare

(DIN: 00430938)  
(DIN: 02593219)  
(DIN: 00034031)  
(DIN: 08467648)  
(DIN: 01087055)  
(DIN: 03570051)  
(DIN: 05288076)

# Cash Flow Statement

for the year ended March 31, 2021

(₹ in Thousand)

	Year ended March 31, 2021	Year ended March 31, 2020
<b>Cash Flow from Operating Activities</b>		
Net Profit before taxes	21,372,673	20,325,311
<b>Adjustments for:</b>		
Depreciation on Bank's Property	1,045,036	1,194,574
Depreciation on Investments	112,063	631,899
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	15,157,272	10,104,711
Provision for Standard Assets	1,106,200	990,800
(Profit)/Loss on sale of fixed assets (net)	(17,804)	(53,538)
Provision for Restructured assets	(15,966)	(103,017)
Provision for Other Contingencies	97,688	43,546
	<b>40,318,090</b>	<b>33,928,135</b>
<b>Adjustments for working capital changes:-</b>		
(Increase)/ Decrease in Investments [excluding Held to Maturity Investments]	23,374,834	3,363,545
(Increase)/ Decrease in Advances	(111,264,139)	(130,554,322)
(Increase)/ Decrease in Other Assets	(27,405,049)	(25,712,129)
Increase/ (Decrease) in Deposits	203,543,952	173,357,405
Increase/ (Decrease) in Other liabilities and provisions	(515,759)	1,221,597
	<b>87,733,839</b>	<b>21,676,096</b>
Direct taxes paid	(5,979,875)	(6,763,477)
<b>Net Cash Flow from / (Used in) Operating Activities</b>	<b>122,072,054</b>	<b>48,840,754</b>
<b>Cash Flow from Investing Activities</b>		
Purchase of Fixed Assets	(1,177,923)	(1,304,656)
Proceeds from Sale of Fixed Assets	39,259	84,178
Investment in Subsidiary	586,080	(642,000)
Investment in Associate	7,997	(6,661)
(Increase)/ Decrease in Held to Maturity Investments	(38,477,212)	(44,822,695)
<b>Net Cash generated / (Used in) Investing Activities</b>	<b>(39,021,799)</b>	<b>(46,691,834)</b>





## Cash Flow Statement (Contd...)

for the year ended March 31, 2021

(₹ in Thousand)

	Year ended March 31, 2021	Year ended March 31, 2020
<b>Cash Flow from Financing Activities</b>		
Proceeds from Issue of Share Capital	6,976	15,229
Proceeds from Share Premium	130,972	313,052
Proceeds from Issue of Subordinate Debt	-	3,000,000
Increase/(Decrease) in Borrowings (Excluding Subordinate Debt)	(13,039,229)	22,911,027
Dividend Paid (Including Tax on Dividend)	-	(3,354,125)
<b>Net Cash generated from Financing Activities</b>	<b>(12,901,281)</b>	<b>22,885,183</b>
<b>Effect of exchange fluctuation on translation reserve</b>	<b>19,084</b>	<b>43,697</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>70,168,058</b>	<b>25,077,800</b>
<b>Cash and Cash Equivalents at the beginning of the year</b>	<b>125,745,813</b>	<b>100,668,013</b>
<b>Cash and Cash Equivalents at the end of the year</b>	<b>195,913,871</b>	<b>125,745,813</b>

### 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 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 Warriar  
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

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

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)

# Schedules Forming Part of The Balance Sheet

## SCHEDULE 1 - CAPITAL

(₹ in Thousand)

	As at March 31, 2021	As at March 31, 2020
<b>Authorised Capital</b>	8,000,000	5,000,000
4,000,000,000 (Previous year 2,500,000,000) Equity Shares of ₹ 2/- each		
<b>Issued Capital</b>	3,994,991	3,988,015
1,997,495,543 (Previous year 1,994,007,367) Equity Shares of ₹ 2/-each		
<b>Subscribed, Called-up and Paid-up Capital</b>	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
<b>Total</b>	<b>3,992,301</b>	<b>3,985,325</b>

Refer Note 4.2 of Schedule 18

## SCHEDULE 2 - RESERVES AND SURPLUS

(₹ in Thousand)

	As at March 31, 2021	As at March 31, 2020
<b>I. Statutory Reserve</b>		
Opening balance	29,833,982	25,977,029
Additions during the year	3,975,744	3,856,953
	<b>33,809,726</b>	<b>29,833,982</b>
<b>II. Capital Reserves</b>		
a) Revaluation Reserve		
Opening balance	50,091	50,091
Additions during the year	-	-
	<b>50,091</b>	<b>50,091</b>
b) Others		
Opening balance	5,046,005	3,687,716
Additions during the year*	1,534,458	1,358,289
	<b>6,580,463</b>	<b>5,046,005</b>
<b>Subtotal</b>	<b>6,630,554</b>	<b>5,096,096</b>
<b>III. Share premium</b> (Refer Note 4.2 of Schedule 18)		
Opening balance	51,621,922	51,308,871
Additions during the year	130,972	313,051
	<b>51,752,894</b>	<b>51,621,922</b>







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

(₹ in Thousand)

	As at March 31, 2021	As at March 31, 2020
<b>IV. Revenue and Other Reserves</b>		
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	-	-
	<b>22,466,209</b>	<b>20,170,491</b>
b) Investment Fluctuation Reserve (Refer Note 1.2.2 (d) of Schedule 18)		
Opening Balance	1,897,200	1,897,200
	<b>1,897,200</b>	<b>1,897,200</b>
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
	<b>7,249,800</b>	<b>6,039,900</b>
<b>V. Foreign Currency Translation Reserve</b>		
Opening Balance	63,488	19,791
Additions / (Deductions) during the year	19,084	43,697
[Refer Schedule 17 (4.6)]		
	<b>82,572</b>	<b>63,488</b>
<b>VI. Contingency Reserve</b>		
Opening balance	301,003	301,003
	<b>301,003</b>	<b>301,003</b>
<b>VII. Balance in Profit and Loss Account</b>	<b>33,053,829</b>	<b>26,166,675</b>
<b>Total</b>	<b>157,243,787</b>	<b>141,190,757</b>

\* - 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)

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

### SCHEDULE 3 - DEPOSITS

(₹ in Thousand)

	As at March 31, 2021	As at March 31, 2020
<b>A.</b> I. Demand Deposits		
i. From Banks	4,583,310	2,201,459
ii. From Others	114,019,518	80,196,806
	<b>118,602,828</b>	<b>82,398,265</b>
II. Savings Bank Deposits	<b>468,522,891</b>	<b>385,344,370</b>
III. Term Deposits		
i. From Banks	26,909,515	31,507,478
ii. From Others	1,112,409,567	1,023,650,736
	<b>1,139,319,082</b>	<b>1,055,158,214</b>
<b>Total</b>	<b>1,726,444,801</b>	<b>1,522,900,849</b>
<b>B.</b> I. Deposits of branches in India	1,726,402,894	1,522,024,966
II. Deposits of branches outside India	41,907	875,883
<b>Total</b>	<b>1,726,444,801</b>	<b>1,522,900,849</b>

### 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	6,773,000	1,162,000
iii. Other institutions and agencies	62,220,105	56,947,272
<b>Total</b>	<b>68,993,105</b>	<b>77,989,272</b>
II. Borrowings outside India	21,691,928	25,734,991
<b>Total</b>	<b>90,685,033</b>	<b>103,724,263</b>
a) Secured borrowings included in I and II above	60,243,105	77,919,272
b) Tier II bond included in I(ii) & I(iii) above	3,000,000	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	2,128,428	3,041,262
IV. Others (including provisions)*	28,198,703	29,734,162
<b>Total</b>	<b>35,307,956</b>	<b>34,579,275</b>
<i>*Includes</i>		
(a) General provision for standard assets (Refer Note 1.4.9 of Schedule 18)	7,367,303	6,261,103
(b) Deferred Tax Liability (Net) (Refer Note 2.4 of Schedule 18)	167,975	111,457





## Schedules Forming Part of The 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)	16,671,921	13,736,894
II. Balance with Reserve Bank of India		
i. in Current Accounts	59,798,486	48,012,191
ii. in Other Accounts	-	-
<b>Total</b>	<b>76,470,407</b>	<b>61,749,085</b>

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

(₹ in Thousand)

	As at March 31, 2021	As at March 31, 2020
<b>I. In India</b>		
i. Balances with banks		
a. in Current Accounts	6,272,125	8,155,949
b. in Other Deposit Accounts	1,820,373	650,000
ii. Money at call and short notice		
a. With Banks	-	2,750,000
b. With other institutions	38,500,000	38,000,000
<b>Total</b>	<b>46,592,498</b>	<b>49,555,949</b>
<b>II. Outside India</b>		
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
<b>Total</b>	<b>72,850,966</b>	<b>14,440,779</b>
<b>Grand Total (I and II)</b>	<b>119,443,464</b>	<b>63,996,728</b>

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

### SCHEDULE 8 - INVESTMENTS

(₹ in Thousand)

	As at March 31, 2021	As at March 31, 2020
<b>I. Investments in India in :</b>		
i. Government Securities #	327,826,425	317,607,101
ii. Other approved Securities	-	-
iii. Shares	4,457,628	4,359,624
iv. Debentures and Bonds	21,919,580	14,573,447
v. Subsidiaries/ Joint Ventures	5,208,080	4,622,000
vi. Others@	11,605,414	17,003,679
<b>Total</b>	<b>371,017,127</b>	<b>358,165,851</b>
<b>II. Investments outside India</b>		
i. Government Securities (including Local authorities)	840,738	756,555
ii. Subsidiaries / Joint Ventures abroad	-	-
iii. Other investments (Shares)	4,235	4,383
<b>Total</b>	<b>844,973</b>	<b>760,938</b>
<b>Grand Total (I and II)</b>	<b>371,862,100</b>	<b>358,926,789</b>
Gross Investments		
In India	375,350,838	362,598,461
Outside India	844,973	760,938
<b>Total</b>	<b>376,195,811</b>	<b>363,359,399</b>
Depreciation/ Provision for Investments		
In India	4,333,711	4,432,610
Outside India	-	-
<b>Total</b>	<b>4,333,711</b>	<b>4,432,610</b>
Net Investments		
In India	371,017,127	358,165,851
Outside India	844,973	760,938
<b>Total</b>	<b>371,862,100</b>	<b>358,926,789</b>

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

@ 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	100,000	100,000
Others	-	-
<b>Total</b>	<b>11,605,414</b>	<b>17,003,679</b>





## Schedules Forming Part of The 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	554,677,024
iii. Term loans	719,121,179	617,964,308
<b>Total</b>	<b>1,318,786,014</b>	<b>1,222,679,148</b>
B. i. Secured by tangible assets*	1,068,419,442	1,020,724,426
ii. Covered by Bank/Government guarantees #	17,765,602	23,853,476
iii. Unsecured	232,600,970	178,101,246
<b>Total</b>	<b>1,318,786,014</b>	<b>1,222,679,148</b>
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	934,677,545	897,803,817
<b>Total</b>	<b>1,300,820,300</b>	<b>1,199,136,248</b>
C. II. Advances outside India (Refer note 3.11 of Schedule 18)		
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
<b>Total</b>	<b>17,965,714</b>	<b>23,542,900</b>
<b>Grand Total (C I and C II)</b>	<b>1,318,786,014</b>	<b>1,222,679,148</b>

\* Includes Advances against book debts

# Includes Advances against Letter of Credit issued by banks  
(Advances are net of provisions)

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

### SCHEDULE 10 - FIXED ASSETS

(₹ in Thousand)

	As at March 31, 2021	As at March 31, 2020
<b>A. Premises #</b>		
<b>Gross Block</b>		
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	<b>2,436,549</b>	<b>2,402,232</b>
<b>Depreciation</b>		
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	<b>1,023,451</b>	<b>982,845</b>
<b>Net Block</b>	<b>1,413,098</b>	<b>1,419,387</b>
<b>B. Other fixed assets</b>		
(including furniture and fixtures)		
<b>Gross Block</b>		
At the beginning of the year	11,762,163	11,564,553
Additions during the year	1,262,960	1,229,773
Deductions during the year	235,721	1,032,163
At the end of the year	<b>12,789,402</b>	<b>11,762,163</b>
<b>Depreciation</b>		
As at the beginning of the year	8,627,509	8,484,769
Charge for the year	1,001,544	1,148,657
Deductions during the year	216,663	1,005,917
Depreciation to date	<b>9,412,390</b>	<b>8,627,509</b>
<b>Net Block</b>	<b>3,377,012</b>	<b>3,134,654</b>
<b>C. Capital Work in progress (Including Capital Advances)</b>	<b>121,176</b>	<b>245,812</b>
<b>Grand Total (A+B+C)</b>	<b>4,911,286</b>	<b>4,799,853</b>

# 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 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	11,758,881	10,227,723
III. Tax paid in advance/Tax Deducted at source (Net of provision)	11,196,839	10,630,146
IV. Stationery and Stamps	8,600	6,731
V. Non-banking assets acquired in satisfaction of claims*	16,259	24,376
VI. Others #	99,220,028	73,339,890
<b>Total</b>	<b>122,200,607</b>	<b>94,228,866</b>
* - 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) Security deposits	1,425,206	795,808

### 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	17,439,418	14,556,410
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@	4,273,162	2,324,549
<b>Total</b>	<b>364,173,432</b>	<b>344,600,704</b>

(Refer Note 4.7 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 (Refer Note 3.16 of Schedule 18).

## Schedules Forming Part of the 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	107,951,229	106,708,679
II. Income on investments	23,489,390	21,840,716
III. Interest on balances with Reserve Bank of India and other inter-bank funds	3,681,644	1,399,639
IV. Others*	2,456,760	2,158,500
<b>Total</b>	<b>137,579,023</b>	<b>132,107,534</b>

\* - Includes interest on Income tax refunds amounting to ₹ 87,514 thousands (Previous year ₹ Nil) 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	10,374,354	9,894,858
II. Profit on sale of investments (Net)	6,088,401	6,078,431
III. Profit on revaluation of investments (Net)	-	-
IV. Profit / (Loss) on sale of land, buildings and other assets (Net)	17,804	53,538
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.	-	305,747
VII. Miscellaneous income**	1,028,579	798,370
<b>Total</b>	<b>19,449,127</b>	<b>19,314,075</b>

\*\* - 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	78,046,698	81,003,652
II. Interest on Reserve Bank of India/Inter bank borrowings	419,646	914,103
III. Others	3,775,609	3,700,739
<b>Total</b>	<b>82,241,953</b>	<b>85,618,494</b>

### SCHEDULE 16 - OPERATING EXPENSES

(₹ in Thousand)

	Year ended March 31, 2021	Year ended March 31, 2020
I. Payments to and provisions for employees	20,341,849	17,723,605
II. Rent, taxes and lighting	2,934,869	2,945,396
III. Printing and stationery	241,178	246,643
IV. Advertisement and publicity	91,913	113,763
V. Depreciation on Bank's property	1,045,036	1,194,574
VI. Directors' fees, allowances and expenses	22,161	22,156
VII. Auditors' fees and expenses (including branch auditors' fees and expenses)	81,779	92,744
VIII. Law charges	112,838	122,333
IX. Postage, Telegrams, Telephones etc	769,701	747,670
X. Repairs and maintenance	662,773	716,190
XI. Insurance	1,914,870	1,420,978
XII. Other expenditure#	8,698,262	8,410,080
<b>Total</b>	<b>36,917,229</b>	<b>33,756,132</b>

# - Includes expenditure on Corporate Social Responsibility - ₹ 352,242 Thousands (Previous Year: ₹ 423,980 Thousands)





## SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES APPENDED TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021

### 1. BACKGROUND

The Federal Bank Limited ('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 has a network of 1272 branches / offices in India and provides retail and corporate banking, para banking activities such as debit card, third party product distribution etc., treasury and foreign exchange business. The Bank is governed by the Banking Regulation Act, 1949 and other applicable Acts / Regulations. The Bank's shares are listed on BSE Limited and National Stock Exchange of India Limited. The GDRs issued by the Bank in 2006 have been listed on London Stock Exchange. 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. BASIS OF PREPARATION

The Standalone Financial Statements ('Financial Statements') have been prepared in accordance with requirements prescribed under the Third Schedule (Form A and Form B) of the Banking Regulation Act, 1949. The accounting and reporting policies of the Bank used in the preparation of these financial statements conform to Generally Accepted Accounting Principles in India ("Indian GAAP"), the circulars and guidelines issued by the Reserve Bank of India ('RBI') from time to time and the Accounting Standards prescribed under Section 133 of the Companies Act, 2013 ("the Act") and the relevant provisions of the Act, as applicable and current practices prevailing within the banking industry in India. The Bank follows the historical cost convention and accrual method of accounting in the preparation of the financial statements, except as otherwise stated. The accounting policies adopted in the preparation of financial statements are consistent with those followed in the previous year.

### 3. USE OF ESTIMATES

The preparation of the 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.

## 4. SIGNIFICANT ACCOUNTING POLICIES

### 4.1 Investments

#### 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:

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

- 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 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 ₹ 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 ₹ 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





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

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.

## 4.2 Advances

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.

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

## 4.3 Securitisation and transfer of assets

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

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

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.

### 4.4 Country risk

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.

### 4.5 Priority Sector Lending Certificates (PSLC)

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'.

### 4.6 Transactions involving foreign exchange

#### 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.

### 4.7 Derivative transactions

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.

### 4.8 Revenue Recognition

- 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.







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

- Interest on income tax refund is recognised in the year of receipt of Assessment Orders.
- 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.

### 4.9 Fixed assets and depreciation

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

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

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.

### 4.10 Impairment of Assets

The Bank 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.

### 4.11 Non-Banking Assets

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

### 4.12 Lease transactions

#### Operating Lease

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.

### 4.13 Retirement and other employee benefits

#### 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 Trust. The contribution made by the bank to The Federal Bank (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





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

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.

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 Bank 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.

### 4.14 Debit card reward points

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.

### 4.15 Taxation

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

### 4.16 Share issue expenses

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

### 4.17 Corporate Social Responsibility

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

### 4.18 Earnings per Share

The Bank 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.

### 4.19 Employee Stock Option Scheme

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

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

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.

### 4.20 Provisions, contingent liabilities, and contingent assets

A provision is recognised when the Bank 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 Bank; 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.

### 4.21 Input Credit under GST

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

### 4.22 Segment information

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

### 4.23 Proposed Dividend

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 Bank reckons proposed dividend in determining capital funds in computing the capital adequacy ratio.

### 4.24 Cash and Cash Equivalents

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 FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021

### 1. DISCLOSURES REQUIREMENT AS PER RBI'S MASTER CIRCULAR ON DISCLOSURE IN FINANCIAL STATEMENTS

Amounts in notes forming part of the 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. Capital Adequacy Ratio

The Bank computes Capital Adequacy Ratio as per Basel III Capital Regulations issued by RBI, which became applicable to the Bank with effect from April 1, 2013.

Under Basel III Capital Regulations, on an on-going basis, the Bank has to maintain a Minimum Total Capital (MTC) of 10.875 % (Previous Year 10.875 %) including Capital Conversion Buffer (CCB) at 1.875% (Previous Year 1.875%), of the total risk weighted assets (RWA). Out of the MTC, at least 7.375% (Previous Year 7.375%), shall be from Common Equity Tier 1 (CET1) capital and at least 8.875% (Previous Year 8.875%) from Tier 1 capital, including 1.875% (Previous Year 1.875%) towards CCB.

The capital adequacy ratio of the Bank is set out below:

(₹ in Crore)

Particulars	As at March 31, 2021	As at March 31, 2020
Common Equity Tier 1*	15,454.61	14,056.92
Tier 1 Capital	15,454.61	14,056.92
Tier 2 Capital	868.13	1,118.08
Total Capital	16,322.74	15,175.00
Total risk weighted assets	111,620.65	105,785.95
<b>Capital Ratios</b>		
Common Equity Tier 1	13.85%	13.29%
Tier 1 Capital	13.85%	13.29%
Tier 2 Capital	0.78%	1.06%
Total Capital to Risk Weighted asset Ratio (CRAR)	14.62%	14.35%
Percentage of the shareholding of the Government of India in public sector banks	NA	NA
Amount of Equity Capital Raised Net of Share Issue Expenses	-	-
Amount of Additional Tier 1 Capital raised of which:		
a) Perpetual Non- Cumulative Preference Shares (PNCPS)	-	-
b) Perpetual Debt Instruments (PDI)	-	-
Amount of Tier II Capital raised of which:		
a) Debt Capital instruments	-	300.00
b) Preference Share Capital Instruments: [Perpetual Cumulative Preference Shares (PCPS) / Redeemable Non-Cumulative Preference Shares (RNCPS) / Redeemable Cumulative Preference Shares (RCPS)]	-	-

\*Adjusted for proposed dividend of ₹ 0.70 per share (Previous year: Nil). (Refer Note 4.2 E also)

During the year ended March 31, 2020, the bank had raised ₹ 300.00 Crore Tier 2 capital by way of issuance of Basel III compliant Tier 2 Bonds, the details of which are set out below.

Instrument	Capital	Date of Maturity	Period	Coupon	Amount (₹ in Crore)
Subordinated Debt	Tier 2	June 20, 2029	120 Months	9.75%	300.00

In accordance with RBI Guidelines, banks are required to make Pillar 3 disclosures under Basel III capital regulations. The Bank has made these disclosures which are available on its website at the following link: <http://www.federalbank.co.in/regulatory-disclosures>. The Pillar 3 disclosures have not been subjected to audit.

**SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD...)****1.2. Investments****1.2.1. Details of Investments:**

(₹ in Crore)

Particulars	March 31, 2021	March 31, 2020
(1) Value of Investments		
(i) Gross Value of Investments		
(a) In India	37,535.08	36,259.85
(b) Outside India	84.50	76.09
(ii) Provision for Depreciation		
(a) In India	333.28	347.07
(b) Outside India	-	-
(iii) Provision for Non-performing investments		
(a) In India	100.09	96.19
(b) Outside India	-	-
(iv) Net value of Investments		
(a) In India	37,101.71	35,816.59
(b) Outside India	84.50	76.09
(2) Movement of provision held towards depreciation on Investments		
(i) Opening Balance	347.07	308.98
(ii) Add: Provisions made during the year	28.50	59.61
(iii) Less: Write off / Write back of excess provision during the year	42.29	21.52
(iv) Closing Balance	333.28	347.07
(3) Movement of provision for Non-performing investments (NPIs)		
(i) Opening Balance	96.19	90.82
(ii) Add: Provisions made during the year	29.44	24.15
(iii) Less: Write off / Write back of excess provision during the year	25.54	18.78
(iv) Closing Balance	100.09	96.19

Movement in provisions held towards depreciation on investments have been reckoned on a yearly basis

**1.2.2. Additional Details on Investments:**

- Investments under HTM (excluding specified investments as per RBI norms) account for 19.38% (Previous year 18.97%) of demand and time liabilities as at the end of March 31, 2021 as against permitted ceiling of 22 % (Previous Year: 19.50%) stipulated by RBI.
- In respect of securities held under HTM category premium of ₹ 142.19 Crore (Previous year: ₹ 74.01 Crore) has been amortised during the year and debited under interest received on Government securities.
- Profit on sale of securities from HTM category amounting to ₹ 273.07 Crore (Previous year: ₹ 235.44 Crore) has been taken to Profit and Loss Account. This includes Profit on redemption on maturity of investments amounting to ₹ 0.97 Crores. During the year, the Bank had appropriated ₹ 152.39 Crore (Previous year ₹ 133.69 Crore), [net of taxes and transfer to statutory reserve] to the Capital Reserve, being the gain on sale of HTM Investments in accordance with RBI guidelines. (Also Refer Note 1.2.5)
- As per RBI circular DBR.No.BP.BC.102/21.04.048/2017-18 dated April 2, 2018 Investment fluctuation reserve (IFR) is to be created with an amount not less than lower of net profit on sale of investments during the year or net profit for the year less mandatory appropriations until the amount of IFR is at least 2 percent of the HFT and AFS portfolio, on a continuing basis.

As on March 31, 2021, the bank is maintaining an IFR of ₹ 189.72 Crore (Previous Year: ₹ 189.72 Crore) as against the minimum requirement of ₹ 112.10 Crore (Previous Year: ₹ 159.37 Crore) and considered it as part of Tier II capital for capital adequacy purposes.







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

### 1.2.3. Repo Transactions

Details of securities sold/purchased (in face value terms) during the years ended March 31, 2021 under repos/reverse repos:

(₹ in Crore)

Particulars	Outstanding during the year			As at March 31, 2021
	Minimum	Maximum	Daily Average	
<b>A) Securities sold under RBI Repos</b>				
i) Government Securities	-	2,788.00	924.43	-
ii) Corporate Debt Securities	-	-	-	-
<b>Securities purchased under RBI Reverse Repos</b>				
i) Government Securities	-	16,350.00	9,227.07	3,700.00
ii) Corporate Debt Securities	-	-	-	-
<b>B) Securities sold under Market Repos</b>				
i) Government Securities	-	3,479.39	1,351.61	1,226.48
ii) Corporate Debt Securities	-	-	-	-
<b>Securities purchased under Reverse Market Repos</b>				
i) Government Securities	-	1,618.47	75.65	-
ii) Corporate Debt Securities	-	-	-	-
<b>C) Securities sold under TREPS</b>				
i) Government Securities	-	5,476.95	2,717.40	3,081.90
ii) Corporate Debt Securities	-	-	-	-
<b>Securities purchased under TREPS</b>				
i) Government Securities	-	1,853.00	36.96	-
ii) Corporate Debt Securities	-	-	-	-

Details of securities sold/purchased (in face value terms) during the year ended March 31, 2020 under repos/reverse repos:

(₹ in Crore)

Particulars	Outstanding during the year			As at March 31, 2020
	Minimum	Maximum	Daily Average	
<b>A) Securities sold under RBI Repos</b>				
i) Government Securities	-	2,438.00	192.56	1,988.00
ii) Corporate Debt Securities	-	-	-	-
<b>Securities purchased under RBI Reverse Repos</b>				
i) Government Securities	-	5,900.00	1,169.62	3,400.00
ii) Corporate Debt Securities	-	-	-	-
<b>B) Securities sold under Market Repos</b>				
i) Government Securities	-	1,590.25	685.99	1,184.73
ii) Corporate Debt Securities	-	-	-	-
<b>Securities purchased under Reverse Market Repos</b>				
i) Government Securities	-	1,778.91	189.07	-
ii) Corporate Debt Securities	-	-	-	-
<b>C) Securities sold under TREPS</b>				
i) Government Securities	-	1,575.00	209.12	729.60
ii) Corporate Debt Securities	-	-	-	-
<b>Securities purchased under TREPS</b>				
i) Government Securities	-	300.00	7.34	-
ii) Corporate Debt Securities	-	-	-	-

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

## 1.2.4. Details of Non-SLR investment portfolio –

**a) Issuer composition as at March 31, 2021 of Non-SLR investments**

(₹ in Crore)

Sr. No.	Issuer	Amount	Extent of private placement	Extent of 'below investment grade' securities	Extent of 'unrated' securities **	Extent of 'unlisted' securities ***
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	Public Sector Undertakings	648.63	641.50	-	-	-
2	Financial Institutions	204.85	174.86	-	-	-
3	Banks	984.62	983.22	-	-	-
4	Private Corporates	1,434.02	1,419.03	9.04	-	233.55
5	Subsidiaries / Joint ventures	765.31	765.31	-	-	5.00
6	Others*	799.51	715.44	493.33	-	5.00
7	Less: Provision held towards depreciation on investment	333.28	XXX	XXX	XXX	XXX
8	Less: Provision held towards non- performing investments	100.09	XXX	XXX	XXX	XXX
<b>Total</b>		<b>4,403.57</b>	<b>4,699.36</b>	<b>502.37</b>	<b>-</b>	<b>243.55</b>

Amounts reported under column (4), (5), (6) and (7) above are not mutually exclusive

\* Includes investments in Non-SLR government securities amounting to ₹ 84.32 Crore.

\*\* Excludes investments in Equity shares, Commercial papers, Certificates of Deposit, Securities directly issued by the Central and State Governments, which are not reckoned for SLR purposes, security acquired by way of conversion of debt and units issued by venture capital in line with RBI guidelines.

\*\*\* Excludes investments in equity shares, units issued by venture capital funds, pass through certificates, security receipts, security acquired by way of conversion of debt, commercial papers and certificate of deposits in line with RBI guidelines.

**Issuer composition as at March 31, 2020 of Non-SLR investments**

(₹ in Crore)

Sr. No.	Issuer	Amount	Extent of private placement	Extent of 'below investment grade' securities	Extent of 'unrated' securities **	Extent of 'unlisted' securities ***
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	Public Sector Undertakings	16.27	6.50	-	-	-
2	Financial Institutions	435.07	405.35	-	-	-
3	Banks	1,347.61	1,346.21	10.00	-	-
4	Private Corporates	1,478.78	1,478.78	25.00	-	372.40
5	Subsidiaries / Joint ventures	467.20	467.20	-	-	5.00
6	Others*	830.30	754.40	546.49	10.00	5.00
7	Less: Provision held towards depreciation on investment	347.07	XXX	XXX	XXX	XXX
8	Less: Provision held towards non- performing investments	96.19	XXX	XXX	XXX	XXX
<b>Total</b>		<b>4,131.97</b>	<b>4,458.44</b>	<b>581.49</b>	<b>10.00</b>	<b>382.40</b>

Amounts reported under column (4), (5), (6) and (7) above are not mutually exclusive

\* Includes Investments in Non-SLR government securities amounting to ₹ 75.91 Crore.

\*\* Excludes investments in Equity shares, Commercial papers, Certificates of Deposit, Securities directly issued by the Central and State Governments, which are not reckoned for SLR purposes, security acquired by way of conversion of debt and units issued by venture capital in line with RBI guidelines.

\*\*\* Excludes investments in equity shares, units issued by venture capital funds, pass through certificates, security receipts, security acquired by way of conversion of debt, and certificate of deposits in line with RBI guidelines.





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

### b) Non-SLR investments category-wise (Net of Provisions):

(₹ in Crore)

Particulars	March 31, 2021	March 31, 2020
Shares	445.76	435.96
Debentures and Bonds*	2,191.96	1,457.35
Subsidiaries/Joint Ventures	520.81	462.20
Others #	1,160.54	1,700.37
Investment outside India	84.50	76.09
<b>Total</b>	<b>4,403.57</b>	<b>4,131.97</b>

\* Includes Investments in Non-SLR government securities amounting to ₹ 0.25 Crore (Previous year: ₹ 0.25 Crore).

# Includes investment in certificate of deposits, Commercial papers, Mutual Funds, PTC, Security Receipts & VCF.

### c) Non-performing Non-SLR investments is set out below:

(₹ in Crore)

Particulars	March 31, 2021	March 31, 2020
Opening Balance	96.46	93.08
Additions during the year	35.16	22.16
Reductions during the year*	25.00	18.78
<b>Closing Balance</b>	<b>106.62</b>	<b>96.46</b>
Total Provision held	100.09	96.19

\* - Transfer to Overdue Investments ₹ 25.00 Crore (Previous Year: ₹ 18.78 Crore), Provision held ₹ 25.00 Crore (Previous Year: ₹ 18.78 Crore)

### 1.2.5. Sale and transfers to/ from HTM Category

During the year ended March 31, 2021 the value of sales/transfers of securities to/from HTM category (excluding one-time transfer of securities and sales to RBI under OMO auctions) was within 5% of the book value of investments held in HTM category at the beginning of the year 2020-21.

During the year ended March 31, 2020 the value of sales/transfers of securities to/from HTM category (excluding one-time transfer of securities and sales to RBI under OMO auctions and repurchase of Government Securities by Government of India) amounts to ₹ 2,589.94 crores which exceeds 5% of the book value of investments held in HTM category at the beginning of the year by ₹ 1,394.85 crores.

(₹ in Crore)

Market value of investments held in HTM category	Excess of book value over market value for which provision is not made
29,357.73	Nil

### 1.2.6 Details of Investment Category-wise:

The details of Investments held under the three categories viz., Held for Trading (HFT), Available for Sale (AFS) and Held to Maturity (HTM) are as under:

(₹ in Crore)

Particulars	March 31, 2021				March 31, 2020			
	HFT	AFS	HTM	TOTAL	HFT	AFS	HTM	TOTAL
Government Securities	-	1,611.10	31,255.62	32,866.72	-	4,027.57	27,808.80	31,836.37
Other Approved Securities	-	-	-	-	-	-	-	-
Shares	-	446.18	520.81	966.99	-	436.40	462.20	898.60
Debentures & Bonds	-	2,056.91	135.05	2,191.96	-	1,457.09	0.25	1,457.34
Others	-	1,057.59	102.95	1,160.54	49.84	1,554.28	96.25	1,700.37
<b>Total</b>	<b>-</b>	<b>5,171.78</b>	<b>32,014.43</b>	<b>37,186.21</b>	<b>49.84</b>	<b>7,475.34</b>	<b>28,367.50</b>	<b>35,892.68</b>

**SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD...)****1.3. Derivatives**

Disclosure in respect of Outstanding Interest Rate Swaps (IRS) and Forward Rate Agreement (FRA)

**1.3.1 A) Exchange Traded Interest Rate Derivatives:**

(₹ in Crore)

Sr. No.	Particulars	March 31, 2021	March 31, 2020
(i)	Notional principal amount of exchange traded interest rate derivatives undertaken during the year (instrument-wise)		
a)	7.17 G-Sec 2028	-	210.20
b)	6.45 G-Sec 2029	-	517.80
c)	7.26 G-Sec 2029	-	741.80
(ii)	Notional principal amount of exchange traded interest rate derivatives outstanding	Nil	Nil
(iii)	Notional principal amount of exchange traded interest rate derivatives outstanding and not "highly effective" (Instrument wise)	Nil	Nil
(iv)	Mark-to-market value of exchange traded interest rate derivatives outstanding and not "highly effective" (instrument wise)	Nil	Nil

1.3.1. B) The bank had dealt in exchange traded currency futures during the financial year ended March 31, 2021 and March 31, 2020. As at March 31, 2021 and March 31, 2020 the open contracts on the exchange was Nil.

**1.3.2 Forward Rate Agreement (FRA)/ Interest Rate Swap (IRS)**

Disclosure in respect of Outstanding Interest Rate Swaps (IRS) and Forward Rate Agreement (FRA)

(₹ in Crore)

Particulars	March 31, 2021	March 31, 2020
(i) The notional principal of swap agreements	2,373	3,298.00
(ii) Losses which would be incurred if counter parties failed to fulfil their obligations under the agreements	12.17	15.95
(iii) Collateral required by the bank upon entering into swaps	Nil	Nil
(iv) Concentration of credit risk arising from the swaps	39.10	42.43
(v) The fair value of the swap book	4.95	(10.86)

The nature and terms of the IRS as on March 31, 2021 are set out below:

Nature	Nos.	Notional Principal	Benchmark	Terms
Trading	39	₹ 1,100.00 Crore	MIOIS	Fixed payable v/s floating receivable
Trading	37	₹ 925.00 Crore	MIOIS	Fixed receivable/floating payable
Trading	1	₹ 174.00 Crore	USD LIBOR 3M	Fixed receivable/floating payable
Trading	1	₹ 174.00 Crore	USD LIBOR 3M	Fixed receivable/floating payable

The nature and terms of the IRS as on March 31, 2020 are set out below:

Nature	Nos.	Notional Principal	Benchmark	Terms
Trading	54	₹ 1,750.00 Crore	MIOIS	Fixed payable v/s floating receivable
Trading	41	₹ 1,200.00 Crore	MIOIS	Fixed receivable/floating payable
Trading	1	₹ 174.00 Crore	USD LIBOR 3M	Fixed receivable/floating payable
Trading	1	₹ 174.00 Crore	USD LIBOR 3M	Fixed receivable/floating payable

The bank has not undertaken any transactions in Credit Default Swaps (CDS) during the year ended March 31, 2021 and March 31, 2020.





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

### 1.3.3. Disclosure on Risk exposure in Derivatives

Qualitative disclosures:

**(a) Structure and organization for management of risk in derivatives trading, the scope and nature of risk measurement, risk reporting and risk monitoring systems, policies for hedging and/or Mitigating risk and strategies and processes for monitoring the continuing effectiveness of Hedges/ mitigants:**

Derivatives are financial instruments whose characteristics are derived from an underlying asset like interest rates, exchange rates or indices. The Bank undertakes over the counter and exchange traded derivative transactions for Balance Sheet management and also for proprietary trading/market making. Bank offers derivative products to the customers to enable them to hedge their exposure within the prevalent regulatory guidelines. Proprietary trading includes Interest Rate Futures, Currency Futures and Rupee Interest Rate Swaps under different benchmarks (viz. MIBOR, MIFOR etc) in over the counter/exchange traded derivatives. The Bank also undertakes transactions in Long Term Forex Contracts (LTFX) for hedging its Balance Sheet and also offers them to its customers. These transactions expose the Bank to various risks primarily credit, market, operational, legal, and reputation. The Bank has adopted the following mechanism for managing risks arising out of the derivative transactions.

The derivative transactions are governed by the Investment, forex and derivative policy and market risk management policy of the Bank as well as by the extant RBI guidelines. Various operational/risk limits are set up and actual exposures are monitored vis-à-vis the limits allocated. These limits are set up taking into account market volatility, risk appetite, business strategy and management experience. Risk limits are in place for risk parameters viz. Value at Risk (VaR), Net loss, deal size, PVBP. Actual positions are monitored against these limits on a daily basis and breaches, if any, are reported promptly. Risk assessment of the portfolio is undertaken periodically.

The Treasury front office enters into derivative transaction with customers and interbank counterparties. The Bank has an independent back office and mid office as per regulatory guidelines. The MTM position of the derivative portfolio is monitored on a regular basis. The impact on derivative portfolio on account of the probable market movements are assessed on regular basis. The risk profile of the outstanding portfolio is reviewed by the Board at regular intervals.

#### **Interest rate contracts**

Interest rate swaps involve the exchange of interest obligations with the counterparty for a specified period without exchanging the underlying (or notional) principal.

Interest rate futures are standardised interest rate derivative contracts traded on a recognised stock exchange to buy or sell a notional security or any other interest bearing instrument or an index of such instruments or interest rates at a specified future date, at a price determined at the time of the contract.

#### **Exchange rate contracts**

Cross currency swaps are agreements to exchange principal amounts denominated in different currencies. Cross currency swaps may also involve the exchange of interest payments on one specified currency for interest payments in another specified currency for a specified period.

Currency options (including Exchange Traded Currency Option) give the buyer, on payment of a premium, the right but not an obligation, to buy or sell specified amounts of currency at agreed rates of exchange on or before a specified future date.

Currency futures contract is a standardised contract traded on an exchange, to buy or sell a certain underlying currency at a certain date in the future, at a specified price. The contract specifies the rate of exchange between one unit of currency with another.

**SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD...)**
**(b) Accounting policy for recording hedge and non-hedge transactions, recognition of income, Premiums and discounts, valuation of outstanding contracts**

Bank deals in derivatives for hedging Domestic or foreign currency assets/liabilities subject to the prevailing regulatory guidelines. Transactions for hedging and trading are recorded separately. For hedge transactions, the Bank identifies the hedged item (asset or liability) at the inception of the transaction itself. The effectiveness is ascertained at the time of inception of the hedge and periodically thereafter. Transactions related to foreign exchange forward, Interest rate Future/IRS/ Currency future are marked to market every month and the MTM is accounted in the books.

**(c) Collateral Security**

Bank has provided Sufficient Collateral to Central counter Parties and Exchanges wherever Applicable. As per market practice, no collateral is insisted on for the contracts with counter parties like Banks/Primary Dealers (PDs) etc. but if a CSA (Credit Support Annexure) is signed, then collateral is insisted as per the terms of CSA agreement. For deals with Corporate Clients, appropriate collateral security/margin etc. is stipulated wherever considered necessary as per the CSA Agreement.

**(d) Credit Risk Mitigation**

Most of the deals have been contracted with Banks/ Major PDs and no default risk is anticipated on the deals with them. Exposure against clients, is mitigated by collecting proper collateral securities / margin as envisaged by the credit sanctioning team as per the sanction order.

**Quantitative Disclosures**

Sr. No.	Particulars	Currency Derivatives*		Interest rate Derivatives	
		Year ended March 31, 2021	Year ended March 31, 2020	Year ended March 31, 2021	Year ended March 31, 2020
(i)	Derivatives (Notional Principal Amount) (₹ in Crore)				
a)	For hedging	-	-	-	-
b)	For trading	3,776.05	4,168.43	2,373.00	3,298.00
(ii)	Marked to Market positions				
a)	Asset (+)	45.05	122.36	56.85	75.96
b)	Liabilities (-)	30.03	112.10	51.90	86.81
(iii)	Credit Exposure	417.13	424.06	39.10	31.37
(iv)	Likely impact of one percentage change in interest rate (100*PV01)				
a)	on hedging derivatives	-	-	-	-
b)	on trading derivatives	0.46	0.47	0.42	0.63
(v)	Maximum and Minimum of 100*PV01 observed during the year				
a)	on hedging	-	-	-	-
b)	on trading	Max = 0.48 Min = 0.46	Max = 0.47 Min = 0.40	Max = 8.23 Min = 0.42	Max = 0.63 Min = 0.61

\*excludes forward exchange contract.

- The notional principal amount of forward exchange contracts classified as Hedging and Trading outstanding as on March 31, 2021 amounted to ₹ 5,205.84 Crore (Previous year ₹ 2,429.34 Crore) and ₹ 5,163.85 Crore (Previous year ₹ 9,393.09 Crore) respectively. For the hedging contracts, as at March 31, 2021 the marked to market position was asset ₹ 116.43 crores and liability of ₹ 38.38 crores (Previous year asset ₹ 23.80 crores and liability of ₹ 45.31 crores). For the trading contract, as at March 31, 2021 the marked to market position was asset ₹ 39.00 crores and liability of ₹ 260.86 crores (Previous year asset ₹ 148.80 crores and liability of ₹ 154.24 crores). Credit exposure on forward exchange contracts at March 31, 2021 was ₹ 1,026.33 Crore (Previous year ₹ 934.86 Crore). The notional principal amounts of derivatives reflect the volume of transactions outstanding as at the Balance Sheet date and do not represent the amounts at risk.





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

- Interest rate derivative represents interest rate swaps.
- The bank has computed the maximum and minimum of PV01 for the year based on the daily balances for Interest rate Derivatives and month end balances for Currency Derivatives.
- In respect of derivative contracts, the bank evaluates the credit exposure arising therefrom, in line with RBI guidelines. Credit exposure has been computed using the current exposure method which is the sum of :
  - a) The current replacement cost (Marked to Market value including accruals of the contract) or zero whichever is higher.
  - b) The Potential Future Exposure (PFE) is a product of the notional principal amount of the contract and a factor that is based on the grid of credit conversion factor prescribed in RBI Guidelines, which is applied on the basis of the residual maturity and the type of contract.

### 1.4. Asset Quality

#### 1.4.1 Net non-performing assets

Particulars	March 31, 2021 (%)	March 31, 2020 (%)
Net non-performing assets as a percentage of net advances.	1.19	1.31

#### 1.4.2 Movement in gross non-performing assets (NPAs)

(₹ in Crore)

Particulars	Investments		Advances	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
Gross NPAs as at the beginning of the year	96.46	93.08	3,530.83	3,260.68
Add: Fresh NPAs during the year	35.17	22.16	1,921.90	1,918.80
Less: -				
(i) Upgradations	-	-	86.23	403.69
(ii) Recoveries (excluding recoveries made from upgraded accounts)	-	-	366.60	510.77
(iii) Technical/Prudential Write-offs	-	-	357.87	663.07
(iv) Write-offs other than those under (iii) above	-	-	39.64	71.12
(v) Reduction by Sale of Assets to ARCs	-	-	-	-
(vi) Transfer to Overdue Investments	(25.00)	(18.78)	NA	NA
<b>Gross NPAs at the end of the year</b>	<b>106.63</b>	<b>96.46</b>	<b>4,602.39</b>	<b>3,530.83</b>

Note: Movement is the aggregate of quarterly movement during the year.

NA – Not applicable

#### 1.4.3 Movement in net non-performing assets

(₹ in Crore)

Particulars	Investments		Advances	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
Opening balance	0.27	2.27	1,607.17	1,626.20
Additions during the year	6.26	-	213.35	626.39
Reductions during the year	-	2.00	251.24	645.42
<b>Closing balance at the end of the year</b>	<b>6.53</b>	<b>0.27</b>	<b>1,569.28</b>	<b>1,607.17</b>

Note: Movement is the aggregate of quarterly movement during the year.

**SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD...)****1.4.4 Movement in provisions for non-performing assets**

(₹ in Crore)

Particulars	Investments		Advances	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
Opening balance	96.19	90.82	1,885.27	1,606.32
Intra-Category Transfer	-	-	-	-
Provisions made during the year	29.44	24.15	1,711.94	1,280.45
Write-offs/ (write back) of excess provision	(25.54)	(18.78)	(599.10)	(1,001.50)
<b>Closing balance at the end of the year</b>	<b>100.09</b>	<b>96.19</b>	<b>2,998.11</b>	<b>1,885.27</b>

Note: Movement is the aggregate of quarterly movement during the year.

**1.4.5 Divergence in Asset classification and Provisioning for NPAs**

The divergence observed by RBI for the Financial year 2019-20 in respect of the Bank's asset classification and provisioning under the extant prudential norms on income recognition, asset classification and provisioning is below the regulatory requirement for disclosure and hence the disclosure as required under RBI Circulars DBR.BP.BC.No.63/21.04.018/2016-17 dated April 18, 2017 and DBR.BP.BC.No.32/21.04.018/2018-19 dated April 1, 2019 on 'Divergence in the asset classification and provisioning' is not required to be made.







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

### 1.4.6 A) Particulars of Accounts Restructured

Details of loan assets subjected to restructuring during the year ended March 31, 2021:

Type of Restructuring		Under CDR Mechanism			Under SME Debt Restructuring Mechanism					Others			Total		
Asset Classification	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total
No. of borrowers	-	-	4.00	1.00	5.00	-	-	-	-	-	1,064.00	231.00	65.00	55.00	1,415.00
Amount	-	-	47.88	-	47.88	-	-	-	-	-	263.41	7.91	44.32	1.28	316.92
Restructured accounts as at April 01, 2020 (Opening Balance)	-	-	42.21	3.78	45.99	-	-	-	-	-	1.09	-	0.15	12.17	13.41
b)Other facility	-	-	-	-	-	-	-	-	-	-	12.83	-	3.83	-	16.66
Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Amount	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Restructured accounts appearing under opening balance	-	-	-	-	-	-	-	-	-	-	(2.05)	(0.79)	(0.92)	-	(3.76)
b)Other facility	-	-	-	-	-	-	-	-	-	-	0.10	-	-	-	0.10
Provision thereon	-	-	-	-	-	-	-	-	-	-	(0.19)	-	(1.23)	-	(1.42)
No. of borrowers	-	-	-	-	-	-	-	-	-	-	3,576.00	76.00	-	1.00	3,653.00
Amount	-	-	-	-	-	-	-	-	-	-	1,360.46	25.44	-	0.16	1,386.06
Fresh Restructuring during the year ended March 31, 2021 <sup>1</sup>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
b)Other facility	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Provision thereon	-	-	-	-	-	-	-	-	-	-	117.38	0.09	-	-	117.47
No. of borrowers	-	-	-	-	-	-	-	-	-	-	11.00	(9.00)	(2.00)	-	-
Amount	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Restructured accounts appearing under opening balance	-	-	-	-	-	-	-	-	-	-	0.11	(0.08)	(0.03)	-	-
b)Other facility	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Amount	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Restructured Standard Advances which cease to attract higher provisioning and/or additional risk weight at the end of March 31, 2021	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
b)Other facility	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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

### 14.6 A) Particulars of Accounts Restructured

Details of loan assets subjected to restructuring during the year ended March 31, 2021: (Contd...)

Type of Restructuring		Under CDR Mechanism			Under SME Debt Restructuring Mechanism					Others			Total		
Asset Classification	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total
No. of borrowers	-	-	-	-	-	-	-	-	-	-	(254.00)	77.00	147.00	30.00	30.00
Amount	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Downgradation of restructured accounts during the year ended March 31, 2021 <sup>2</sup>	-	-	-	-	-	-	-	-	-	-	(58.43)	52.14	6.14	0.15	0.15
(a)Restructured facility	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
b)Other facility	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Provision thereon	-	-	-	-	-	-	-	-	-	-	(0.14)	0.14	-	-	-
No. of borrowers	-	-	(2.00)	-	(2.00)	-	-	-	-	-	(172.00)	(42.00)	(13.00)	(4.00)	(233.00)
Amount	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs of restructured accounts during the year ended March 31, 2021 <sup>3</sup>	-	-	(32.79)	-	(32.79)	-	-	-	-	-	(22.56)	(0.58)	(0.46)	(0.08)	(56.47)
(a)Restructured facility	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
b)Other facility	-	-	(22.16)	-	(22.16)	-	-	-	-	-	-	-	-	-	(22.16)
Provision thereon	-	-	-	-	-	-	-	-	-	-	(1.11)	-	-	-	(1.11)
No. of borrowers	-	-	2.00	1.00	3.00	-	-	-	-	-	4,225.00	333.00	197.00	82.00	4,840.00
Amount	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Restructured accounts as at March 31, 2021 (closing figures) <sup>4</sup>	-	-	15.09	-	15.09	-	-	-	-	-	1,540.94	84.04	49.05	1.51	1,690.63
(a)Restructured facility	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
b)Other facility	-	-	20.05	3.78	23.83	-	-	-	-	-	1.19	0.15	-	-	25.17
Provision thereon	-	-	-	-	-	-	-	-	-	-	128.77	0.23	2.60	-	131.60

- Additional / Fresh sanctions made to existing restructured accounts includes ₹47.10 Crore (Borrowers 80, Provision made is ₹2.70 Crore), balance as on March 31, 2021. 95 Accounts having balance aggregating to ₹ 64.71 Cr restructured during the year, already appearing in the opening balance have not been considered as fresh restructuring during the year ended March 31, 2021.
- Downgradation of accounts from restructured standard to NPA
- Write-off of restructured accounts during the year includes recovery of ₹ 23.68 Crore (231 borrowers with provision ₹ 1.11 Crore) during the year, balance as on March 31, 2020.
- Other Facility includes ₹ 36.00 Crore in investment





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

#### 1.4.6 A) Particulars of Accounts Restructured (Contd...)

Details of loan assets subjected to restructuring during the year ended March 31, 2020:

[illegible]

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

### 1.4.6 A) Particulars of Accounts Restructured

Details of loan assets subjected to restructuring during the year ended March 31, 2020: (Contd...)

		(₹ in Crore except No. of Borrowers)											
Type of Restructuring Asset Classification	Standard	Under CDR Mechanism			Under SWE Debt Restructuring Mechanism			Others			Total		
		Sub-Standard	Doubtful	Loss	Sub-Standard	Doubtful	Loss	Sub-Standard	Doubtful	Loss	Sub-Standard	Doubtful	Loss
Downgradation of restructured accounts during the year ended March 31, 2020 <sup>2</sup>	(1.00)	-	1.00	-	-	-	-	22.00	14.00	9.00	22.00	15.00	9.00
Amount Outstanding – year ended March 31, 2020 <sup>2</sup>	(28.79)	-	28.79	-	-	-	-	7.34	3.09	0.25	(39.47)	7.34	0.25
(a) Restructured facility	(22.16)	-	22.16	-	-	-	-	-	-	-	(22.16)	-	-
b) Other facility	-	-	-	-	-	-	-	-	-	-	-	-	-
Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs of restructured accounts during the year ended March 31, 2020 <sup>3</sup>	-	-	(1.00)	-	-	-	-	(6.00)	(8.00)	(13.00)	(271.00)	(6.00)	(13.00)
Amount Outstanding – year ended March 31, 2020 <sup>3</sup>	-	-	(17.75)	-	-	-	-	(0.04)	(274.47)	(34.89)	(279.42)	(0.04)	(34.89)
(a) Restructured facility	-	-	-	-	-	-	-	-	-	-	-	-	-
b) Other facility	-	-	-	-	-	-	-	-	(1.92)	-	(1.92)	-	(1.92)
Provision thereon	-	-	-	-	-	-	-	-	-	-	(47.06)	-	(47.06)
Restructured accounts as at March 31, 2020 (closing figures) <sup>4</sup>	-	-	4.00	1.00	-	-	-	231.00	65.00	55.00	1,064.00	231.00	56.00
Amount Outstanding – year ended March 31, 2020 (closing figures) <sup>4</sup>	-	-	47.88	-	47.88	-	-	7.91	44.32	1.28	316.92	7.91	1.28
(a) Restructured facility	-	-	-	-	-	-	-	-	-	-	-	-	-
b) Other facility	-	-	42.21	3.78	45.99	-	-	1.09	0.15	12.17	13.41	1.09	15.95
Provision thereon	-	-	-	-	-	-	-	12.83	3.83	-	16.66	12.83	-

1. Additional / Fresh sanctions made to existing restructured accounts includes ₹54.26 Crore (28 Borrowers, Provision made is ₹ 2.71 Crore), balance as on March 31, 2020.
2. Downgradation of accounts from restructured standard to NPA
3. Write-off of restructured accounts during the year includes recovery of ₹ 330.11 Crore (293 borrowers with provision ₹ 46.84 Crore) during the year, balance as on March 31, 2019
4. Other Facility includes ₹ 58.16 Crore in investment





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

### 1.4.6 B) Additional Disclosures with relation to Certain Restructuring / Relief Schemes:

1. Flexible Structuring of Existing Loans as at March 31, 2021: Nil (Previous Year: Nil).
2. Disclosures on Strategic Debt Restructuring Scheme (accounts which are currently under the stand still period): Nil (Previous year: Nil)
3. Change in Ownership outside SDR Scheme (accounts which are currently under the stand-still period) as at March 31, 2021: Nil (Previous Year: Nil)
4. Change in Ownership of Projects under Implementation (accounts which are currently under the stand-still period) at March 31, 2021: Nil (Previous Year: Nil)

### 5. Disclosures on the Scheme for Sustainable Structuring of Stressed Assets (S4A)

March 31, 2021

(₹ in Crore)

Particulars	No. of accounts where S4A has been applied	Aggregate Amount outstanding	Amount outstanding		Provision Held
			In Part A	In Part B	
Classified as Standard	-	-	-	-	-
Classified as NPA	1	25.13	15.08	10.05	25.13

March 31, 2020

(₹ in Crore)

Particulars	No. of accounts where S4A has been applied	Aggregate Amount outstanding	Amount outstanding		Provision Held
			In Part A	In Part B	
Classified as Standard	-	-	-	-	-
Classified as NPA	2	76.09	43.88	32.21	74.69

6. Details of MSME accounts restructured as per RBI circular Nos.DBR.No.BP.BC.18/21.04.048/2018-19 dated January 1, 2019, DOR.No.BP.BC.34/21.04.048/2019-20 dated February 11, 2020 and DOR.No.BP.BC/4/21.04.048/2020-21 dated August 6, 2020

Position as on March 31, 2021

(₹ in Crore)

Number of accounts restructured	Amount Restructured	Amount outstanding
529	653.20	536.65

Position as on March 31, 2020

(₹ in Crore)

Number of accounts restructured	Amount Restructured	Amount outstanding
76	120.44	100.09

### 7. COVID-19 – Uncertainties, Regulatory Packages, Asset Classification and Provisioning

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

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

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

**8. COVID-19 Regulatory Package - Disclosures**

The disclosures as required under RBI circular DOR.No.BP.BC.63/21.04.048/2019-20 dated April 17, 2020

(₹ in Crore)

	<b>March 31, 2021</b>
Amounts in SMA/overdue categories where the moratorium/deferment was extended on March 31, 2020*	3,712.62
Amounts where asset classification benefit is extended, determined based on position as at September 30, 2020#	732.35
Provisions made on such accounts	73.23
Provisions adjusted against slippages in terms of paragraph 6 of the circular	38.49
Residual provision utilised for other accounts in terms of paragraph 6 of the circular	34.74

\* - Balance Outstanding as on March 31, 2020

# - Balance Outstanding as on March 31, 2021

(₹ in Crore)

	<b>March 31, 2020</b>
Amounts in SMA/overdue categories, where the moratorium/deferment was extended	3,712.62
Amount where asset classification benefit is extended	302.66
Provisions made on such accounts	30.27
Provisions adjusted against slippages in terms of paragraph 6 of the circular	NA
Residual provision utilised for other accounts in terms of paragraph 6 of the circular	-

**9. COVID-19 Regulatory Package – Review of Resolution Timelines under the Prudential Framework of Resolution of Stressed Assets**

(₹ in Crore)

	<b>March 31, 2021</b>	<b>March 31, 2020</b>
No. of accounts in which Resolution Period was extended	1	-
Amount Involved	16.91	-





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

### 10. Implementation of Resolution Plans (RPs):

Cases eligible for RPs during the year ended March 31, 2021		RPs Successfully implemented during the year ended March 31, 2021		RPs under implementation during the year ended March 31, 2021	
Balance Outstanding (₹ in Crore)	No. of cases	Balance Outstanding (₹ in Crore)	No. of cases	Balance Outstanding (₹ in Crore)	No. of cases
394.44	9	-	-	394.44	9

Out of the above, 4 cases are technically written off in our books amounting to total of ₹ 318.07 Cr.

Cases eligible for RPs during the year ended March 31, 2020		RPs Successfully implemented during the year ended March 31, 2020		RPs under implementation during the year ended March 31, 2020	
Balance Outstanding (₹ in Crore)	No. of cases	Balance Outstanding (₹ in Crore)	No. of cases	Balance Outstanding (₹ in Crore)	No. of cases
393.64	9	-	-	393.64	9

Out of the above, 4 cases are fully provided in our books amounting to total of ₹ 317.93 Cr.

### 11. Details of resolution plan implemented under the Resolution Framework for COVID-19-related Stress as per RBI circular dated August 6, 2020 are given below.

(₹ in crores except number of accounts)

Type of borrower	(A) Number of accounts where resolution plan has been implemented under this window	(B) exposure to accounts mentioned at (A) before implementation of the plan	(C) Of (B), aggregate amount of debt that was converted into other securities	(D) Additional funding sanctioned, if any, including between invocation of the plan and implementation	(E) Increase in provisions on account of the implementation of the resolution plan
Personal Loans	3,967	949.59	-	-	949.59
Corporate persons	-	-	-	-	-
Of which, MSMEs	-	-	-	-	-
Others	88	44.12	-	-	44.12
<b>Total</b>	<b>4,055</b>	<b>993.71</b>	<b>-</b>	<b>-</b>	<b>993.71</b>

### 12. Ex- gratia and Interest on Interest during the Moratorium Period i.e., March 01, 2020 to August 31, 2020

In accordance with the scheme announced by the Government of India on October 23, 2020 for grant of ex-gratia payment of difference between compound interest and simple interest for six months to borrowers in specified loan accounts (March 01, 2020 to August 31, 2020), the Bank had submitted the requisite claim amounting to ₹ 30.15 Crore and credited the accounts of the eligible borrowers. Further, in accordance with the decision of the Honourable Supreme Court on March 23, 2021 in the matter of Small-Scale Industrial Manufacturers Association vs. UOI & Ors instructions, the aforesaid RBI circular dated April 07, 2021 and the methodology for calculation of the amount as notified by the Indian Banks Association (IBA), the Bank has created a provision of ₹ 21.00 Crore towards estimated refund/adjustment of compound interest/interest on interest/penal interest charged to the borrowers not covered under the above ex-gratia scheme during the moratorium period i.e. March 1, 2020 to August 31, 2020 and reduced the same from interest income for the year ended March 31, 2021.

**SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD...)**
**1.4.7 A) Details of financial assets sold to Securitisation / Reconstruction companies for Asset Reconstruction**

(₹ in Crore)

Particulars	March 31, 2021		March 31, 2020	
	Standard	NPA	Standard	NPA
a) No of accounts	-	1	-	-
b) Aggregate value (net of provision) of accounts sold to SC/RC	-	-	-	-
c) Aggregate consideration	-	56.00	-	-
d) Additional consideration realised in respect of accounts transferred in earlier years	-	-	-	-
e) Aggregate gain/(loss) over net book value	-	56.00	-	-

**B) Details of Investments held as Security Receipts received by sale of NPA to Securitisation/Reconstruction Companies as at March 31, 2021 and March 31, 2020 are as follows:**

(₹ in Crore)

Particulars	Backed by NPAs sold by the bank as underlying		Backed by NPAs sold by other banks/financial institutions/non-banking financial companies as underlying		Total	
	As at March 31, 2021	As at March 31, 2020	As at March 31, 2021	As at March 31, 2020	As at March 31, 2021	As at March 31, 2020
Book value of investments in security receipts	489.91	528.44	-	-	489.91	528.44

Note: In addition to above, bank holds security receipts of ₹ 3.43 Crore (Previous year: ₹ 18.05 Crore) which are backed by standard assets sold by the bank.

**C) Details of ageing of Investments held as Security Receipts as at March 31, 2021 are as follows:**

(₹ in Crore)

Particulars	SRs issued Within past 5 years	SRs issued more than 5 years ago but within past 8 years	SRs issued more than 8 years ago
(i) Book value of SRs backed by NPAs sold by the bank as underlying	88.65	368.05	33.21
Provision held against (i)	25.45	274.61	33.21
(ii) Book value of SRs backed by NPAs sold by other banks / financial institutions / non-banking financial companies as underlying	-	-	-
Provision held against (ii)	-	-	-
<b>Gross Book value</b>	<b>88.65</b>	<b>368.05</b>	<b>33.21</b>
<b>Total provision held against above</b>	<b>25.45</b>	<b>274.61</b>	<b>33.21</b>
<b>Net Book value</b>	<b>63.20</b>	<b>93.44</b>	<b>-</b>

Note: In addition to above, bank holds security receipts of ₹ 3.43 Crore (Previous Year ₹ 18.05 Crore) which are backed by standard assets sold by the bank, which is issued more than 5 years ago but within past 8 years. Total Provision of ₹ Nil (Previous Year ₹ 0.05 Crore) is held against security receipts backed by standard assets sold by the bank.







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

Details of ageing of Investments held as Security Receipts as at March 31, 2020 are as follows: (₹ in Crore)

Particulars	SRs issued Within past 5 years	SRs issued more than 5 years ago but within past 8 years	SRs issued more than 8 years ago
(i) Book value of SRs backed by NPAs sold by the bank as underlying	216.61	303.21	8.62
Provision held against (i)	82.56	217.08	8.62
(ii) Book value of SRs backed by NPAs sold by other banks / financial institutions / non-banking financial companies as underlying	-	-	-
Provision held against (ii)	-	-	-
<b>Gross Book value</b>	<b>216.61</b>	<b>303.21</b>	<b>8.62</b>
<b>Total provision held against above</b>	<b>82.56</b>	<b>217.08</b>	<b>8.62</b>
<b>Net Book value</b>	<b>134.05</b>	<b>86.13</b>	<b>-</b>

Note: In addition to above, bank holds security receipts of ₹ 18.05 Crore which are backed by standard assets sold by the bank, which is issued within past 5 years. Total Provision of ₹ 0.05 Cr is held against security receipts backed by standard assets sold by the bank.

### 1.4.8 Details of non-performing financial assets purchased/sold

#### A. Details of non-performing financial assets purchased from other banks

(₹ in Crore)

Particulars	March 31, 2021	March 31, 2020
1. (a) No. of accounts purchased during the year	NIL	NIL
(b) Aggregate outstanding		
2. (a) Of these, number of accounts restructured during the year	NIL	NIL
(b) Aggregate outstanding		

#### B. Details of non-performing financial assets sold to other banks

(₹ in Crore)

Particulars	March 31, 2021	March 31, 2020
1. No of accounts sold	1.00	NIL
2. Aggregate outstanding	33.32	
3. Aggregate consideration received	12.00	

### 1.4.9 Movement of Provision on Standard Assets

(₹ in Crore)

Particulars	March 31, 2021	March 31, 2020
(a) Opening balance	626.11	527.03
(b) Additions during the year	589.62	99.08
(c) Deduction during the year	479.00	-
(d) Closing balance *	736.73	626.11

\* Includes Provision held towards Unhedged Foreign Currency Exposure of Customers amounting ₹ 15.90 Crore (Previous Year: ₹ 5.96 Crore)

### 1.5 The Key business ratios and other information:

Particulars	March 31, 2021	March 31, 2020
(i) Interest Income as a percentage to Working Funds* (%)	7.35	8.02
(ii) Non-interest income as a percentage to Working Funds* (%)	1.04	1.17
(iii) Operating Profit as a percentage to Working Funds* (%)	2.02	1.95
(iv) Return on Assets [Based on Average Working Fund] *(%)	0.85	0.94
(v) Business (Deposits less inter-bank deposits plus advances) per employee (₹ in Crore)**	24.03	21.94
(vi) Profit per employee (₹ in Crore)**	0.13	0.12

\* Working Funds represent average of total assets as reported to RBI in Form X under Section 27 of the Banking Regulation Act, 1949 during the year.

\*\* Productivity ratios are based on average number of employees for the year.

**SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD...)**
**1.6. Asset Liability Management**

Maturity pattern of certain items of assets and liabilities at March 31, 2021 and March 31, 2020 is set out below:

**Year ended March 31, 2021**

(₹ in Crore)

Maturity Pattern	Deposits	Advances	Investments	Borrowings	Foreign Currency Assets	Foreign Currency Liabilities
Day 1	913.31	2,208.48	8,149.56	12.97	1,533.62	104.96
2 - 7 days	2,421.64	1,302.80	294.41	4,708.38	2,037.63	30.46
8-14 days	2,137.22	785.40	386.10	202.23	575.08	34.94
15-30 days	5,062.22	2,102.11	665.66	183.17	1,416.69	245.34
31 days to 2 months	8,162.03	4,226.60	1,641.57	297.80	1,441.77	390.02
More than 2 months and up to 3 months	7,214.82	4,677.97	1,080.54	312.91	1,269.97	442.31
Over 3 months and upto 6 months	15,852.89	10,568.17	1,728.72	504.71	1,008.31	740.99
Over 6 months and upto 1 Year	27,427.44	16,325.95	1,369.85	777.94	527.89	1,502.26
Over 1 Year and upto 3Years	70,314.57	55,145.58	4,368.16	1,664.82	522.21	2,521.39
Over 3 Years and upto 5 Years	2,427.15	16,827.56	4,986.53	103.57	365.34	493.71
Over 5 Years	30,711.19	17,707.98	12,515.11	300.00	224.87	0.03
<b>Total</b>	<b>172,644.48</b>	<b>131,878.60</b>	<b>37,186.21</b>	<b>9,068.50</b>	<b>10,923.38</b>	<b>6,506.41</b>

**Year ended March 31, 2020**

(₹ in Crore)

Maturity Pattern	Deposits	Advances <sup>#</sup>	Investments	Borrowings	Foreign Currency Assets	Foreign Currency Liabilities
Day 1	587.48	985.08	8,954.03	1,921.33	835.07	51.92
2 - 7 days	2,636.71	707.30	120.98	-	330.46	29.55
8-14 days	1,568.21	201.77	503.28	28.68	486.15	41.07
15-30 days	2,692.33	1,202.29	277.35	197.36	115.94	247.07
31 days to 2 months	4,856.65	1,835.59	664.10	405.24	319.51	501.92
More than 2 months and up to 3 months	5,915.53	4,743.26	1,400.49	381.94	1,235.99	504.02
Over 3 months and upto 6 months	15,780.38	13,151.85	363.08	906.88	1,096.55	715.49
Over 6 months and upto 1 Year	26,635.35	15,368.05	931.35	1,221.97	1,058.81	1,253.55
Over 1 Year and upto 3Years	60,594.18	51,035.72	2,931.77	4,489.95	694.68	2,412.26
Over 3 Years and upto 5 Years	2,862.99	14,604.68	3,041.40	371.48	539.97	1,356.63
Over 5 Years	28,160.27	18,432.32	16,704.85	447.60	227.85	-
<b>Total</b>	<b>152,290.08</b>	<b>122,267.91</b>	<b>35,892.68</b>	<b>10,372.43</b>	<b>6,940.98</b>	<b>7,113.48</b>

<sup>#</sup> In context of COVID-19 pandemic, the Reserve Bank of India on March 27, 2020, announced measures to support the economy and the financial system by permitting the lending entities to offer a three-month moratorium on all term loans and interest deferment on working capital facilities outstanding as on March 1, 2020. As a prudent measure, for the purpose of ALM, the contractual inflows on borrower accounts have been suitably adjusted for the moratorium considering the potential relief to borrowers.

Note: Classification of assets and liabilities under the different maturity buckets is based on the same estimates and assumptions as used by the Bank for compiling the return submitted to the RBI, which has been relied upon by the auditors. Maturity profile of foreign currency assets and liabilities excludes forward exchange contracts and off-balance sheet items.





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

### 1.7. Exposures

#### 1.7.1 Exposure to Real Estate Sector

(₹ in Crore)

Category	March 31, 2021	March 31, 2020
<b>a) Direct Exposure:</b>		
i) Residential Mortgages: Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented; (of which individual housing loans eligible for inclusion in Priority sector advances)	22,811.29 (3,757.48)	21,018.56 (3,901.09)
ii) Commercial Real Estate:- Lending secured by mortgages on commercial real estates (office buildings, retail space, multi-purpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non-fund based (NFB) limits;	5,782.18	6,443.00
(iii) Investments in Mortgage Backed Securities (MBS) and other securitised exposures –		
a) Residential	Nil	Nil
b) Commercial Real Estate	Nil	Nil
<b>b) Indirect Exposure:</b>		
Fund based and non-fund-based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	7,105.55	7,404.90
<b>Total Exposure to Real Estate sector</b>	<b>35,699.02</b>	<b>34,866.46</b>

#### 1.7.2 Exposure to Capital Market

(₹ in Crore)

Category	March 31, 2021	March 31, 2020
(i) Direct investment in equity shares, convertible bonds, convertible debentures and units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt;	404.44	404.26
(ii) Advances against shares/bonds/debentures or other securities or on clean basis to individuals for investment in shares (including IPOs/ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds;	-	-
(iii) Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security;	50.27	0.09
(iv) Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares/convertible bonds/convertible debentures/units of equity oriented mutual funds does not fully cover the advances;	236.10	477.66
(v) Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	141.65	14.29

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

Category	March 31, 2021	March 31, 2020
(vi) Loans sanctioned to corporates against the security of shares / bonds/ debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;	-	-
(vii) Bridge loans to companies against expected equity flows/issues;	-	-
(viii) Underwriting commitments taken up by the banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds;	-	-
(ix) Financing to stockbrokers for margin trading;	-	-
(x) All exposures to Venture Capital Funds (both registered and unregistered)	175.91	96.34
<b>Total Exposure to Capital Market</b>	<b>1,008.37</b>	<b>992.64</b>

**1.7.3 Risk Category wise Country Exposure**

The net funded exposure of the Bank in respect of foreign exchange transactions with each country is within 1% of the total assets of the Bank and hence no provision is required to be made in respect of country risk as per the RBI guidelines:

(₹ in Crore)

Risk category*	Exposure (net)	Provision held	Exposure (net)	Provision held
	March 31, 2021	March 31, 2021	March 31, 2020	March 31, 2020
Insignificant	1,668.82	-	1,104.76	-
Low	617.08	-	158.68	-
Moderate	59.82	-	18.65	-
High	0.89	-	21.76	-
Very High	-	-	0.65	-
Restricted	-	-	-	-
Off-credit	-	-	-	-
<b>Total</b>	<b>2,346.61</b>	<b>-</b>	<b>1,304.50</b>	<b>-</b>

\* The above figures include both funded as well as non-funded exposure.

Note: The bank has compiled the data for the purpose of disclosure in Note No. 1.7.3 from its internal MIS system and has been furnished by the management, which has been relied upon by the auditors.

**1.7.4.** During the year ended March 31, 2021 and March 31, 2020, the Bank's credit exposure to single borrower and group borrowers was within the prudential exposure limits prescribed by RBI.

**1.7.5** During the year ended March 31, 2021 and March 31, 2020 there are no unsecured advances for which intangible securities such as charge over the rights, licences, authority etc. has been taken as collateral by the Bank.

**1.8. Details of Penalty imposed by RBI**

(₹ 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.





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

### 2. DISCLOSURE REQUIREMENTS AS PER ACCOUNTING STANDARDS WHERE RBI HAS ISSUED GUIDELINES IN RESPECT OF DISCLOSURE ITEMS FOR 'NOTES TO ACCOUNTS'

#### 2.1. Employee Benefits (AS 15)

##### a) Defined Contribution Plan

###### 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.

The Bank recognized ₹ 0.88 Crore (Previous Year: ₹ 0.47 Crore) for provident fund contribution in the Profit and Loss Account.

###### 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 Bank recognized ₹ 45.79 Crore (Previous year: ₹ 36.39 Crore) for DCPS contribution in the Profit and Loss Account.

##### b) Defined benefit plan

###### Gratuity

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.

###### Superannuation / Pension

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 Bank's financial statements as at March 31, 2021.

**SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD...)****i) Change in benefit obligations:** (₹ in Crore)

Particulars	Gratuity Plan		Pension Plan	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
Projected benefit obligation, beginning of the year	374.63	329.19	1,197.98	983.39
Current Service Cost	37.79	20.39	224.60	168.92
Interest cost	24.22	21.19	70.22	59.17
Actuarial (gain)/ loss	83.38	43.54	330.11	223.26
Benefits paid	(52.21)	(39.68)	(336.63)	(236.76)
<b>Projected benefit obligation, end of the year</b>	<b>467.81</b>	<b>374.63</b>	<b>1,486.28</b>	<b>1,197.98</b>

**ii) Change in plan assets:** (₹ in Crore)

Particulars	Gratuity Plan		Pension Plan	
	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	1,129.93	978.09
Expected return on plan assets	22.20	24.53	80.68	73.26
Actuarial gain/(loss)	2.29	0.38	9.83	2.85
Employer's Contributions	127.91	49.84	610.90	312.49
Benefits paid	(52.21)	(39.68)	(336.63)	(236.76)
<b>Plan assets at end of the year, at fair value</b>	<b>469.49</b>	<b>369.30</b>	<b>1,494.71</b>	<b>1,129.93</b>

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

Particulars	Gratuity Plan		Pension Plan	
	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	1,494.71	1,129.93
Present value of the defined benefit obligations at the end of the year	467.81	374.63	1,486.28	1,197.98
<b>Liability/ (Asset) recognized in the Balance Sheet</b>	<b>(1.68)</b>	<b>5.33</b>	<b>(8.43)</b>	<b>68.05</b>

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

Particulars	Gratuity Plan		Pension Plan	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
Current Service cost	37.79	20.39	224.60	168.92
Interest cost	24.22	21.19	70.22	59.17
Expected return on plan assets	(22.20)	(24.53)	(80.68)	(73.26)
Actuarial (gain)/loss	81.09	43.15	320.28	220.41
Net Cost	120.90	60.20	534.42	375.24
Net cost Debit to Profit and Loss account	120.90	60.20	534.42	375.24
Actual return on plan assets*	24.49	24.91	90.52	76.11

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





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

### v) Investment details of plan Assets\*

(₹ in Crore)

Particulars	Gratuity Plan		Pension Plan	
	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
<b>Total</b>	<b>469.49</b>	<b>369.30</b>	<b>1,494.71</b>	<b>1,129.93</b>

\* - 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.

### vi) Experience adjustments

#### i) Gratuity Plan

(₹ in Crore)

	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)

#### ii) Pension Plan

(₹ in Crore)

	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

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

Particulars	Gratuity Plan		Pension Plan	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
Discount rate	6.95%	6.85%	6.82%	6.84%
Annuity rate per Rupee	-	-	150.83000	134.98313
Salary escalation rate	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%	1.00%	1.00%
Mortality Table	IALM 2006-08 Ultimate	IALM 2006-08 Ultimate	IALM 2006-08 Ultimate	IALM 2006-08 Ultimate

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 employees of the Bank are entitled to compensated absences. 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 unutilised 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)

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

	(₹ in Crore)	
	March 31, 2021	March 31, 2020
Privilege leave	219.59	168.29
Sick leave	22.12	18.25
Leave Travel Concession	21.26	20.43
Casual Leave	1.23	1.54
<b>Total actuarial liability</b>	<b>264.20</b>	<b>208.51</b>
<b>Assumptions</b>		
Discount rate	6.95%	6.85%
Salary escalation rate	5.00%	5.00%
Attrition Rate	2.00%	2.00%







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

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.

### 2.2. Segment Reporting (AS 17)

#### A. Business Segments

Business of the Bank 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 FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD...)**

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

**As on March 31, 2021:**

(₹ in Crore)

Business Segments	Treasury	Corporate/ Wholesale Banking	Retail Banking	Other Banking Operations	Total
Revenue	2,739.96	4,561.52	8,398.90	-	15,700.38
Result (net of provisions)	722.23	222.75	1,189.85	-	2,134.83
Unallocated Income / (expense)					2.44
Operating profit (PBT)					2,137.27
Income taxes					(546.97)
Extraordinary profit/loss					-
Net Profit					1,590.30
<b>OTHER INFORMATION</b>					
Segment Assets	45,251.11	71,465.90	78,136.57	-	194,853.58
Unallocated assets					6,513.81
Total assets					201,367.39
Segment liabilities	14,137.71	16,025.33	153,066.93	-	183,229.97
Unallocated liabilities					2,013.81
Total liabilities					185,243.78

**As on March 31, 2020:**

(₹ in Crore)

Business Segments	Treasury	Corporate/ Wholesale Banking	Retail Banking	Other Banking Operations	Total
Revenue	2,268.46	4,893.65	7,980.05	-	15,142.16
Result (net of provisions)	415.18	170.58	1,451.13	-	2,036.89
Unallocated Income / (expense)					(4.36)
Operating profit (PBT)					2,032.53
Income taxes					(489.75)
Extraordinary profit/loss					-
Net Profit					1,542.78
<b>OTHER INFORMATION</b>					
Segment Assets	37,873.23	70,562.43	64,808.87	-	173,244.53
Unallocated assets					7,393.52
Total assets					180,638.05
Segment liabilities	16,272.69	12,585.40	134,581.49	-	163,439.58
Unallocated liabilities					2,680.86
Total liabilities					166,120.44

**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 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.

### 2.3. Related Party Disclosures (AS 18)

#### a) Details of Related Parties:

Subsidiaries, associates/joint ventures/other related entities

Name of the entity	Nature of Relationship
Fedbank Financial Services Limited	Subsidiary
Federal Operations and Services Limited	Subsidiary
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	<ul style="list-style-type: none"> <li>Mr. T S Srinivasan</li> <li>Ms. Kamala Srinivasan</li> <li>Ms. Maya Shyam</li> <li>Ms. Meena Lochani</li> <li>Ms. Rohini</li> </ul>
Mr. Ashutosh Khajuria, Executive Director & CFO	<ul style="list-style-type: none"> <li>Ms. Sunita Khajuria</li> <li>Ms. Vasundhara Khajuria</li> <li>Ms. Yashodhara Khajuria</li> </ul>
Ms. Shalini Warriar, Executive Director & COO	<ul style="list-style-type: none"> <li>Ms. Parvathi Warriar</li> <li>Ms. Asha Warriar</li> </ul>

#### b) Transactions with related parties

For the year ended March 31, 2021:

(₹ in Crore)

Items/Related Party	Subsidiaries	Associates	Key Management Personnel	Relatives of KMP	Total
Deposits <sup>#</sup>	391.83 (394.44)	17.17 (40.27)	3.60 (3.99)	1.41 (1.41)	414.01 (440.11)
Advances <sup>#</sup>	781.08 (1,053.05)	5.39 (28.78)	0.25 (0.28)	- -	786.72 (1,082.11)
Investments in Shares <sup>#</sup>	317.81 (317.81)	229.60 (229.60)	- -	- -	547.41 (547.41)
Other Investments (NCD, PTC held through trust etc)	257.89 (270.39)	- -	- -	- -	257.89 (270.39)

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

(₹ in Crore)

Items/Related Party	Subsidiaries	Associates	Key Management Personnel	Relatives of KMP	Total
Interest paid	0.01	0.55	0.14	0.07	0.77
Interest received	91.19	0.23	0.01	-	91.43
Income from Services Rendered to	11.02	46.95	-	-	57.97
Expenses for Receiving services from	50.14	-	-	-	50.14
Leasing arrangements provided	0.02	-	-	-	0.02
Leasing arrangements availed	1.08	-	-	-	1.08
Receivable from	-	8.30	-	-	8.30
Payable to	5.27	-	-	-	5.27
Remuneration paid	-	-	4.56	-	4.56
Dividend Received	-	-	-	-	-
Dividend Paid	-	-	-	-	-
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	Subsidiaries	Associates	Key Management Personnel	Relatives of KMP	Total
Deposits <sup>#</sup>	38.50	20.80	3.08	1.03	63.41
	(42.69)	(26.06)	(3.08)	(1.05)	(72.88)
Advances <sup>#</sup>	1,062.20	-	0.28	-	1,062.48
	(1071.57)	-	(0.53)	-	(1072.10)
Investments <sup>#</sup>	259.20	228.21	-	-	487.41
	(259.20)	(228.21)	-	-	(487.41)
Interest paid	-	0.49	0.05	0.04	0.58
Interest received	79.79	-	0.02	-	79.81
Income from Services Rendered to	5.86	43.93	-	-	49.79
Expenses for Receiving services from	42.80	-	-	-	42.80
Leasing arrangements provided	*	-	-	-	*





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

(₹ in Crore)

Items/Related Party	Subsidiaries	Associates	Key Management Personnel	Relatives of KMP	Total
Leasing arrangements availed	1.29	-	-	-	1.29
Receivable from	-	9.13	-	-	9.13
Payable to	4.50	-	-	-	4.50
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

\* Denotes figures less than ₹ 1 Lakh.

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.

The significant transactions between the Bank 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	Fedbank Financial Services Limited	386.65	34.88
Advances	Fedbank Financial Services Limited	781.08	1,062.20
Investments in Shares	Fedbank Financial Services Limited	307.81	249.20
	Ageas Federal Life Insurance Company Limited	208.00	208.00
Other Investments (NCD, PTC held through trust etc)	Fedbank Financial Services Limited	239.50	-
Interest paid	Ageas Federal Life Insurance Company Limited	0.55	0.48
	Mr. Shyam Srinivasan	0.09	0.01
Interest received	Fedbank Financial Services Limited	91.19	79.79
Income from Services Rendered to	Ageas Federal Life Insurance Company Limited	46.94	43.93
Expenses for Receiving services from	Fedbank Financial Services Limited	23.76	23.85
	Federal Operations and Services Limited	26.38	18.95

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

(₹ in Crore)

Nature of Transaction	Name of the Related party	March 31, 2021	March 31, 2020
Leasing arrangements availed	Fedbank Financial Services Limited	1.08	1.29
Leasing arrangements provided	Fedbank Financial Services Limited	0.01	-
	Federal Operations and Services Limited	0.01	-
Receivable from	Ageas Federal Life Insurance Company Limited	8.30	9.13
Payable to	Fedbank Financial Services Limited	2.66	1.40
	Federal Operations and Services Limited	2.61	3.10
Remuneration paid	Mr. Shyam Srinivasan	2.31	2.27
	Mr. Ashutosh Khajuria	1.17	1.20
	Ms. Shalini Warriar	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 Warriar	2,142,500	2,400,000

**2.4. Deferred Tax Assets / Liability (AS 22)**

The major components of deferred tax assets and deferred tax liabilities are as under:

(₹ in Crore)

	March 31, 2021	March 31, 2020
<b>Deferred Tax Liability</b>		
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
<b>Total - (A)</b>	<b>346.15</b>	<b>305.26</b>
<b>Deferred Tax Asset</b>		
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	9.06	9.78
(iv) Others	133.43	124.01
<b>Total - (B)</b>	<b>329.35</b>	<b>294.11</b>
<b>Net Deferred tax liability/ (Asset) (A-B)</b>	<b>16.80</b>	<b>11.15</b>

**2.5** During the year ended March 31, 2020, the Bank has elected to exercise the option permitted under section 115BAA of the Income Tax Act, 1961 as introduced by the Taxation Laws (Amendment) Ordinance, 2019. Accordingly, the Bank has recognised Provision for Income Tax for the year ended March 31, 2021 based on the rate prescribed in the aforesaid section.





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

### 3. ADDITIONAL DISCLOSURES AS PER RBI'S MASTER CIRCULAR ON DISCLOSURE IN FINANCIAL STATEMENTS

#### 3.1 'Provisions and Contingencies' recognised in the Profit and Loss Account include:

(₹ in Crore)

	Year ended March 31, 2021	Year ended March 31, 2020
i) Provision towards NPAs	1,515.73	1,010.47
ii) Provision for Depreciation in Value of Investments (Net)	11.21	63.19
iii) Provision for Non - Performing Investments	3.90	5.37
iv) Provision for Standard Assets	110.62	99.08
v) Provision for Taxation*	546.97	489.75
vi) Provision towards present value of sacrifice on restructuring, other contingencies etc.	8.17	(5.95)
<b>Total</b>	<b>2,196.60</b>	<b>1,661.91</b>

#Refer Note No.2.5

#### 3.2 Movement in floating provision is set out below:

(₹ in Crore)

Particulars	Standard Assets Provision		NPA Provision	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
a) Opening balance	12.75	12.75	69.18	69.18
b) Provision made during the year	-	-	-	-
c) Provision utilised during the year	-	-	-	-
d) <b>Closing balance</b>	<b>12.75</b>	<b>12.75</b>	<b>69.18</b>	<b>69.18</b>

#### 3.3. Draw Down from Reserves

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

#### 3.4. A) Disclosure of customer complaints

Sr. No.	Particulars	Year ended March 31, 2021	Year ended March 31, 2020
1	Number of complaints pending at beginning of the year	1,692	1,354
2	Number of complaints received during the year	147,914	200,249
3	Number of complaints disposed during the year	146,108	199,911
	Of which, number of complaints rejected by the bank	46,394	48,386
4	Number of complaints pending at the end of the year	3,498	1,692
<b>Maintainable complaints received by the bank from Banking Ombudsman (BO)</b>			
5	Number of maintainable complaints received by the bank from BOs	757	535
	Of which, number of complaints resolved in favour of the Bank by BOs	243	150
	Of which, number of complaints resolved through conciliation/ mediation/ advisories issued by BOs	511	385
	Of which, number of complaints resolved after Passing of Awards by BOs against the bank	-	-
6	Number of Awards unimplemented within the stipulated time(other than those appealed)	-	-

Note: Maintainable complaints refer to complaints on the grounds specifically mentioned in BO Scheme 2006 and covered within the ambit of the Scheme

**SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD...)**
**B) Top Five grounds of complaints received by the Bank from customers**

Grounds of complaints, (i.e. complaints relating to)	Number of complaints pending at the beginning of the year		Number of complaints received during the year		% increase/decrease in the number of complaints received over the previous year		Number of complaints pending at the end of the year		Of 5, number of complaints pending beyond 30 days	
1	2		3		4		5		6	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
ATM/Debit Cards	1,038	1,297	117,915	142,813	(17.43)	100.28	2,481	1,038	119	-
Internet/Mobile/Electronic Banking	87	5	19,543	11,183	74.76	797.51	860	87	-	-
Account opening/difficulty in operation of accounts	35	24	2,578	3,123	(17.45)	172.75	37	35	-	-
Loans and advances	22	17	1,315	777	69.24	46.88	44	22	-	-
Levy of charges without prior notice / excessive charges / foreclosure charges	14	6	448	550	(18.55)	77.42	23	14	-	-
Others	496	5	6,115	41,803	(85.23)	6,072.00	53	496	-	-
<b>Total</b>	<b>1,692</b>	<b>1,354</b>	<b>147,914</b>	<b>200,249</b>	<b>-</b>	<b>-</b>	<b>3,498</b>	<b>1,692</b>	<b>119</b>	<b>-</b>

**Note:** RBI vide their Circular CEPD.CO.PR.D.Cir.No.01/13.01.013/2020-21 dated January 27, 2021 on Strengthening of Grievance Redress Mechanism in Banks had categorized grievances under 16 categories and had advised Banks to make disclosures accordingly. There is a significant reduction (26%) in the number of complaints received in FY 2020-21 compared to FY 2019-20, primarily due to proactive measures initiated to reduce customer complaints at different levels.

**3.5. Letter of Comfort**

The Bank has not issued any letters of comfort (LoC) on behalf of its subsidiaries during the year ended March 31, 2021 and March 31, 2020.

**3.6. Provision coverage ratio**

The Provision coverage ratio of the bank as on March 31, 2021, computed in terms of the RBI Guidelines was 77.65 % (Previous Year 72.48 %).

**3.7. Bancassurance Business**

Details of income earned from bancassurance business:

(₹ in Crore)

Sr. No.	Nature of Income *	March 31, 2021	March 31, 2020
1	For selling life insurance policies	46.95	43.94
2	For selling non-life insurance policies	19.65	22.72
3	For selling mutual fund products	6.02	2.09
4	Others <sup>#</sup>	9.54	6.56
<b>Total</b>		<b>82.16</b>	<b>75.31</b>

\* - includes receipts on account of marketing activities undertaken on behalf of Bancassurance partners.

# - includes income on DP/Trading/PIS







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

### 3.8 Concentration of Deposits, Advances, Exposures and NPAs

#### 3.8.1 Information on Concentration of deposits:

(₹ in Crore)

	March 31, 2021	March 31, 2020
Total deposits of twenty largest depositors	8,329.79	9,178.20
Percentage of deposits of twenty largest depositors to total deposits of the bank	4.82%	6.03%

Note: Excludes holders of certificate of deposits which are tradable instruments.

#### 3.8.2 Information on Concentration of advances:

(₹ in Crore)

	March 31, 2021	March 31, 2020
Total advances to twenty largest borrowers	18,058.80	15,580.42
Percentage of advances to twenty largest borrowers to total advances of the bank	10.22%	10.12%

Note: Advance is computed as per the definition of Credit Exposure in RBI Master Circular on Exposure Norms DBOD. No. Dir. BC.12/13.03.00/2015-16 dated July 1, 2015.

#### 3.8.3 Information on Concentration of exposure:

(₹ in Crore)

	March 31, 2021	March 31, 2020
Total exposures to twenty largest borrowers/customers	19,050.48	16,519.67
Percentage of exposures to twenty largest borrowers/customers to total exposure of the bank on borrowers/customers	10.41%	10.33%

Note: Exposure is computed as per the definition of Credit and Investment Exposure in RBI Master Circular on Exposure Norms DBOD. No. Dir. BC.12/13.03.00/ 2015-16 dated July1, 2015.

The bank has compiled the data for the purpose of disclosure in Note No. 3.8.1 to 3.8.3 from its internal MIS system and has been furnished by the management, which has been relied upon by the auditors.

#### 3.8.4 Information on Concentration of NPAs:

(₹ in Crore)

	March 31, 2021	March 31, 2020
Total exposures to top four NPA accounts	603.79	512.83

### 3.9 Sector wise advances and NPA

The details of Sector-wise Gross Advances and Gross NPAs as at March 31, 2021 and March 31, 2020 is given below:

(₹ in Crore)

Sr. No.	Sector*	March 31, 2021			March 31, 2020		
		Gross Advances	Gross NPA	Gross NPA (%)	Gross Advances	Gross NPA	Gross NPA (%)
A	Priority Sector						
1.	Agriculture and allied activities	16,928.73	916.43	5.41	14,127.29	837.31	5.93
2.	Advances to industries sector eligible as priority sector lending	9,163.79	212.30	2.32	5,214.37	389.12	7.46
	Of which:						
	Infrastructure	2,457.62	40.16	1.63	1,151.36	63.41	5.51
	Textiles	1,453.98	8.27	0.57	707.74	57.55	8.13

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

(₹ in Crore)

Sr. No.	Sector*	March 31, 2021			March 31, 2020		
		Gross Advances	Gross NPA	Gross NPA (%)	Gross Advances	Gross NPA	Gross NPA (%)
3.	Services	5,857.32	62.65	1.07	6,676.44	495.04	7.41
	Of which:						
	Trade	800.61	17.39	2.17	4,280.09	407.45	9.52
	Commercial Real Estate	541.83	0.36	0.07	311.27	4.48	1.44
	NBFCs	710.62	-	-	47.47	-	-
	Other Services	2,267.81	20.03	0.88	1,403.33	39.94	2.85
4.	Personal loans	-	-	-	-	-	-
5.	Others	4,567.85	317.78	6.96	4,594.73	254.03	5.53
	<b>Sub-total (A)</b>	<b>36,517.69</b>	<b>1,509.16</b>	<b>4.13</b>	<b>30,612.83</b>	<b>1,975.50</b>	<b>6.45</b>
	<b>B Non-Priority Sector</b>						
1.	Agriculture and allied activities	-	-	-	-	-	-
2.	Industry	20,296.43	942.08	4.64	24,246.25	420.56	1.73
	Of which:						
	Infrastructure	8,979.34	450.88	5.02	8,637.92	161.77	1.87
3.	Services	36,721.44	1,222.75	3.33	34,676.59	479.69	1.38
	Of which:						
	Trade	8,036.38	605.84	7.54	4,570.67	94.71	2.07
	Commercial Real Estate	4,334.83	27.28	0.63	5,012.21	27.62	0.55
	Non-Banking Finance Companies	15,502.19	185.44	1.20	17,069.83	281.23	1.65
	Other services	7,779.60	345.34	4.44	6,627.42	60.69	0.92
4.	Personal loans	2,063.59	101.81	4.93	1,491.14	33.18	2.23
5.	Others	39,277.56	826.59	2.10	33,126.37	621.90	1.88
	<b>Sub-total (B)</b>	<b>98,359.02</b>	<b>3,093.23</b>	<b>3.14</b>	<b>93,540.35</b>	<b>1,555.33</b>	<b>1.66</b>
	<b>Total (A+B)</b>	<b>134,876.71</b>	<b>4,602.39</b>	<b>3.41</b>	<b>124,153.18</b>	<b>3,530.83</b>	<b>2.84</b>

\*Classification into sectors/subsectors as above has been done based on Bank's internal norms, which has been relied upon by the auditors.

**3.10 A) Movement in gross non-performing assets**

(₹ in Crore)

Particulars	March 31, 2021	March 31, 2020
Gross NPAs as at the beginning of the year	3,530.83	3,260.68
Additions (Fresh NPAs) during the year <sup>#</sup>	1,921.90	1,918.80
<b>Sub-total (A)</b>	<b>5452.73</b>	<b>5,179.48</b>
Less: Reduction <sup>#</sup>		
(i) Upgradations	86.23	403.69
(ii) Recoveries (excluding recoveries made from upgraded accounts)	366.60	510.77
(iii) Technical/ Prudential Write – offs	357.87	663.07
(iv) Write –offs other than those under (iii) above	39.64	71.12
(v) Reduction by Sale of Assets to ARCs	-	-
<b>Sub-total (B)</b>	<b>850.34</b>	<b>1,648.65</b>
<b>Gross NPAs as at the end of the year* (A-B)</b>	<b>4602.39</b>	<b>3,530.83</b>

<sup>#</sup>Aggregate of quarterly movement during the year

\* After considering technical/ Prudential Write – Offs

Closing Gross NPAs before technical/ Prudential Write – Offs is ₹ 7,022.38 Crore (Previous Year ₹ 5,839.51 Crore)





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

### B) Movement in technical/prudential written off accounts is set out below: (₹ in Crore)

Particulars	March 31, 2021	March 31, 2020
Opening balance	2,308.68	1,691.18
Add: Technical write-offs during the year	357.87	663.07
<b>Sub-total (A)</b>	<b>2,666.55</b>	<b>2,354.25</b>
Less: Reduction due to recovery made from previously technical/prudential written-off accounts during the year	12.57	44.58
Less: Sacrifice made from previously technical/prudential written-off accounts during the year	2.08	0.99
Less: Reduction due to sale of NPAs to ARCs from previously technical/prudential written off accounts during the year	231.91	-
<b>Sub-total (B)</b>	<b>246.56</b>	<b>45.57</b>
<b>Closing balance at the end of the year (A-B)</b>	<b>2,419.99</b>	<b>2,308.68</b>

### 3.11.Details of Overseas Assets, NPAs and Revenue

During the year ended March 31, 2016 the Bank had commenced its operation, pursuant to RBI approval, in International Finance Service Centre (IFSC) Banking Unit (IBU) in Gujarat International Finance Tec City (GIFT) and the business transaction from the same is considered as a Foreign branch for most Regulatory purpose as per para 2.2 of Annex I of RBI Circular DBR.IBD.BC 14570/23.13.004/2014-15 dated April 1, 2015. Apart from the said IBU, the bank does not have any overseas branch(s) as on March 31, 2021 and March 31, 2020. Details of Assets, NPAs and Revenue of IBU are given below:

(₹ in Crore)

Particulars	March 31, 2021	March 31, 2020
Total Assets	2,346.86	2,794.44
Total NPAs	350.93	189.16
Total Revenue	50.19	99.96

### 3.12.Sponsored SPVs

The Bank has not sponsored any special purpose vehicle which is required to be consolidated in the consolidated financial statements as per accounting norms as at March 31, 2021 and March 31, 2020.

### 3.13 Disclosures on Remuneration

#### i) Qualitative disclosures

#### a) Information relating to the composition and mandate of the Nomination, Remuneration, Compensation and Ethics Committee (or Remuneration Committee in short):

The Remuneration Committee of the Board oversees the framing, review and implementation of the compensation policy of the Bank, on behalf of the Board. The Committee comprise of three or more Non-Executive Directors, out of which not less than one-half would be Independent Directors and would include at least one member from Risk Management Committee of the Board.

As on March 31, 2021, the remuneration committee of the Board comprises of the following Independent Directors:

- Mr. C Balagopal
- Ms. Grace Elizabeth Koshie
- Mr. A P Hota

Out of the above Ms. Grace Elizabeth Koshie is also a member of Risk Management Committee of the Board.

The Remuneration Committee of the Board functions with the following mandate, in respect of matters related to remuneration:

- i. To oversees the framing, review and implementation of an effective Compensation Policy, as per RBI Guidelines.
- ii. To review the compensation package for the MD & CEO and Executive Directors and recommend revisions for Board approval.

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

- iii. To consider and approve issuance and allotment of shares under ESOS to MD & CEO /EDs and employees of the Bank.
- iv. Work in coordination with Risk Management Committee of the Bank, in order to achieve effective alignment between risk and remuneration.

### b) Information relating to the design and structure of remuneration processes and the key features and objectives of remuneration policy.

The Bank has formulated and adopted a comprehensive compensation policy covering all the employees and the policy is reviewed on an annual basis. The policy covers all aspects of the compensation structure such as fixed pay, variable compensation, perquisites, performance bonus, guaranteed bonus (joining/sign-on bonus), severance package, share-linked instruments e.g. Employee Stock Option Plan (ESOPs), pension, gratuity, etc., taking into account the Guidelines issued by Reserve Bank of India from time to time.

The objectives of the remuneration policy are four-fold:

- To align compensation with prudent risk taken
- To drive sustainable performance in the Bank
- To ensure financial stability of the Bank; and
- To attract and retain talent

The compensation paid to the **Chief Executive Officers (CEOs) / Whole Time Directors (WTDs) /Material Risk Takers (MRTs)** is divided into two components:

1. **Fixed Pay and Perquisites:** The fixed compensation is determined based on the relevant factors such as industry standards, the exposure, skill sets, talent and qualification attained by the official over his/her career span and adherence to statutory requirements. All the fixed items of compensation, including the perquisites, will be treated as part of fixed pay. Perquisites that are reimbursable would also be included in the fixed pay so long as there are monetary ceilings on these reimbursements. Contributions towards superannuation/retiral benefits will also be treated as part of fixed pay.
2. **Variable Compensation:** The variable compensation for Whole Time Directors, Managing Director & Chief Executive Officer and Material Risk Takers is fixed based on organizational performance (both business-unit and firm-wide) and KPAs set for the official. The organization's performance is charted based on Performance Scorecard which takes into account various financial indicators like revenue earned, cost deployed, profit earned, NPA position and other intangible factors like leadership and employee development. The Score Card provides a mix of Financial and Non-Financial, Quantitative and Qualitative Metrics. Additionally, serious supervisory observations (if any) are also factored. The variable pay is paid in the form of share-linked instruments, or a mix of cash and share-linked instruments.

**Risk, Control and Compliance Staff:** Members of staff engaged in financial and risk control, including internal audit, are compensated in a manner that is independent of the business areas they oversee and commensurate with their key role in the bank. The total fixed and variable compensation paid out to the employees in the Risk Control and Compliance Function is decided independent of business parameters. The mix of fixed and variable compensation for control function personnel is weighted in favour of fixed compensation, to ensure autonomy and independence from business goals.

**Grander Compensation Package to Executives in Level IV and above:** The Compensation package applicable to Executives in Level IV and above are governed under the provisions of Grander Compensation Package, a performance linked pay structure implemented in the Bank with effect from May 01, 2017. Annual Increment under the "Grander Compensation Package" will depend on the annual performance rating of the Executive concerned.

**Compensation paid to Employees on IBA Package:** The compensation paid to Award Staff and Officers coming under Scale I to III is fixed based on the periodic industry level settlements with Indian Banks' Association. The present scale of pay and other service conditions applicable to employees, whose compensation package is governed under IBA package is as per provisions of 11<sup>th</sup> Bipartite Settlement/ Joint note dated November 11, 2020.





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

### c) Description of the ways in which current and future risks are taken into account in the remuneration processes.

For the purpose of effectively aligning compensation structure with risk outcomes, the functionaries in the Bank are arranged under the following three categories:

1. MD & CEO/Whole Time Directors/ Material Risk Takers (MRTs)
2. Risk Control and Compliance Staff
3. Other Categories of Staff

In order to manage current and future risk and allow a fair amount of time to measure and review both quality and quantity of the delivered outcomes, the Bank maintains proper balance between fixed pay and variable pay. A significant portion (i.e. at least 50 percent) of total compensation payable to MD & CEO, Whole Time Directors and Material Risk Takers (MRTs) is variable.

#### Committees to mitigate risks caused by an individual decision

In order to further balance the impact of market or credit risks caused to the Bank by an individual decision taken by a senior level executive, MD & CEO or ED, the bank has constituted various committees to take decisions on various aspects:

- Credit limits are sanctioned by committees at different levels.
- Investment decisions of the Bank are taken and monitored by Investment committee and there is an upper limit in treasury dealings where individual decisions can be taken.
- Interest rates on asset and liability products for different buckets are decided and monitored by the Asset Liability Committee of the Board (ALCO). Banks' exposures to liquidity risk are also monitored by ALCO.

#### Hedging

No compensation scheme or insurance facility would be provided by the Bank to employees to hedge their compensation structure to offset the risk alignment mechanism (deferral pay and clawback arrangements) embedded in their compensation arrangement. Appropriate compliance arrangements have been established to ensure that employees do not insure or hedge their compensation structure.

**Committee of Management for reviewing the linkage of Risk Based Performance with Remuneration (ED Level Committee):** The ED Level Committee, comprising of ED and Heads of Risk Division and HR Department would assist the Nomination and Remuneration Committee of the Board to monitor, review and control various risks and to balance prudent risk taking with the compensation paid out to top Executives, WTDs and other employees.

### d) Linkage of performance during a performance measurement period with levels of remuneration.

The Bank's performance is charted based on performance scorecard which takes into account various financial indicators like revenue earned, cost deployed, and profit earned, NPA position and other intangible factors like leadership and employee development. Variable pay is paid purely based on performance and is measured through Score cards for MD & CEO / EDs. The score card provides a mix of financial and non-financial, quantitative and qualitative metrics.

The compensation package applicable to Executives in Level IV to VII was fixed and governed based on the periodical industry level settlements under IBA pattern. To make the Compensation Structure market driven and competitive, a new performance-based compensation package called "Grander Compensation Package" has been introduced for Executives in Level 4 (Assistant Vice President) and above with effect from May 01, 2017.

The compensation paid to other officials that include Award Staff, Officers coming under Scale I to III is fixed based on the periodic industry level settlements with Indian Banks Association.

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

- e) **Bank's policy on deferral and vesting of variable remuneration and criteria for adjusting deferred remuneration before vesting and after vesting.**

### **MD & CEO, Whole Time Directors and Material Risk Takers (MRTs).**

**Deferral of Variable Pay :** For MD & CEO, Whole Time Directors and Material Risk Takers (MRTs) deferral arrangements would invariably exist for the variable pay, regardless of the quantum of pay. For such executives of the bank, a minimum of 60% of the total variable pay must invariably be under deferral arrangements. Further, if cash component is part of variable pay, at least 50% of the cash bonus would also be deferred. However, in cases where the cash component of variable pay is under Rs.25 lakh, deferral requirements would not be necessary.

**Period of Deferral Arrangement:** The deferral period would be minimum of three years. This would be applicable to both the cash and non-cash components of the variable pay.

**Vesting :** Deferred remuneration would either vest fully at the end of the deferral period or be spread out over the course of the deferral period, subject to the following conditions.

- The first such vesting will be not before one year from the commencement of the deferral period.
- The vesting will be no faster than on a pro rata basis.
- Vesting will not take place more frequently than on a yearly basis.

In case of deferred compensation (cash component), the payment will be made as per the Schedule mentioned below.

Proportion of deferred Variable Pay	Timelines
50%	Year N - Upfront *
16.50%	Year N + 1
16.50%	Year N + 2
17.00%	Year N+3

(\* subject to approval of RBI for MD & CEO and WTD's)

### **Risk Control and Compliance Staff**

At least 25% of the total compensation would be variable and the total variable pay will be limited to a maximum of 100% of the fixed pay (for the relative performance measurement period). Deferral arrangements would invariably exist for the variable pay, if the Variable Pay exceeds 75% of the fixed pay. In such cases a minimum of 60% of the total variable pay must invariably be under deferral arrangements. Further, if cash component is part of variable pay, at least 50% of the cash bonus would also be deferred. However, in cases where the cash component of variable pay is under Rs.25 lakh, deferral requirements would not be necessary.

### **Other categories of Staff**

The variable pay would be in the form of cash, share-linked instruments, or a mix of both cash and share-linked instruments. The total variable pay will be limited to a maximum of 300% of the fixed pay (for the relative performance measurement period). Deferral arrangements would invariably exist for the variable pay, if the Variable Pay exceeds 200% of the fixed pay. In such cases a minimum of 60% of the total variable pay must invariably be under deferral arrangements. Further, if cash component is part of variable pay, at least 50% of the cash bonus would also be deferred. However, in cases where the cash component of variable pay is under Rs.25 lakh, deferral requirements would not be necessary.

### **Malus / Claw back arrangement**

The variable compensation is covered under Malus / Claw back arrangements in case of all categories of employees. In the event of subdued or negative contributions of the bank and/or the relevant line of business in any year, the deferred compensation will be subjected to:





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

- Malus arrangement wherein Bank shall withhold vesting of all or part of the amount of deferred remuneration.
- Claw back arrangement wherein the employees shall be liable to return previously paid or vested remuneration to the bank. The deferred compensation, if any, paid to such functionaries shall be subject to Claw back arrangements, which will entail the Bank to recover proportionate amount of variable compensation from such functionaries, on account of an act or decision taken by the official which has brought forth a negative contribution to the Bank at a prospective stage.

The malus and claw back provisions would cover the deferral and retention periods. If an Official covered under these provisions is responsible for any act or omission or non-compliance of regulatory guidelines resulting in a penalty being imposed by any Regulators or engages in a detrimental conduct, the Bank would be entitled to recover proportionate amount of variable compensation from such functionaries within 48 months from the date of payment/vesting of variable compensation. The Bank has put in place appropriate modalities, performance thresholds and detailed framework to cover the trigger points with or invoking malus/claw back, taking into account relevant statutory and regulatory stipulations, as applicable.

### f) Description of the different forms of variable remuneration

The variable pay is in the form of share-linked instruments, or a mix of cash and share-linked instruments. The Bank uses an optimum and proper mix of cash (Performance Linked Incentive/Ex- Gratia) and share-linked instruments (Stock Options) to decide the compensation of employees in all categories.

The distribution of Stock Options and variable Performance Linked Incentives are higher in top levels and is linked with their performance measurements taken from Scorecards. This is done to align the compensation of senior staff with their performance, risk and responsibility taken in higher assignments.

### ii) Quantitative disclosures

Particulars	March 31, 2021	March 31, 2020
(a) Number of meetings held by the Remuneration Committee during the financial year and remuneration paid to its members.	7 ₹ 6,30,000/-	10 ₹ 810,000/-
(b) (i) Number of employees having a variable remuneration award during the financial year.	10	3
(ii) Number and total amount of sign-on awards made during the financial year.	Nil	Nil
(iii) Details of guaranteed bonus, if any, paid as joining / sign on bonus	Nil	Nil
(iv) Details of severance pay, in addition to accrued benefits, if any.	Nil	Nil
(c) (i) Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms	Nil	Nil
(ii) Total amount of deferred remuneration paid out in the financial year.	Nil	Nil
(d) Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred	Fixed - ₹ 8.35 Crore Variable - ₹ 0.61 Crore	Fixed - ₹ 3.75 Crore Variable - ₹ 0.78 Crore
(e) (i) Total amount of outstanding deferred remuneration and retained remuneration exposed to ex-post explicit and / or implicit adjustments.	Nil	Nil
(ii) Total amount of reductions during the financial year due to ex- post explicit adjustments	Nil	Nil
(iii) Total amount of reductions during the financial year due to ex- post implicit adjustments.	Nil	Nil
(f) Number of MRTs identified.	10	-
(g) (i) Number of cases where malus has been exercised.	-	-
(ii) Number of cases where clawback has been exercised.	-	-
(iii) Number of cases where both malus and clawback have been exercised.	-	-

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

### iii) General Quantitative Disclosure

Particulars	March 31, 2021	March 31, 2020
(i) The mean pay for the bank as a whole (excluding sub-staff) (In ₹)	1,362,873	1,002,708
(ii) The deviation of the pay of each of its WTDs from the mean pay.		
▪ Mr. Shyam Srinivasan, Managing Director & CEO	15.96	21.60
▪ Mr. Ashutosh Khajuria, Executive Director & CFO	7.56	10.99
▪ Ms. Shalini Warriar, Executive Director & COO	6.97	9.60

### 3.14 Securitisation Transactions

The Bank has not done any securitisation transactions during the year ended March 31, 2021 and March 31, 2020.

### 3.15 Details of Intra-Group Exposure

(₹ in Crore)

Sr. No.	Particulars	March 31, 2021	March 31, 2020
1	Total amount of intra-group exposures*	947.34	1,108.96
2	Total amount of top-20 intra group exposures*	947.34	1,108.96
3	Percentage of intra group exposures to total exposure of the bank to borrowers/ customers *(%)	0.52%	0.69%
4	Details of breach of limits on intra-group exposures and regulatory action thereon, if any	NIL	NIL

\* Exposure is computed as per the definition of Credit and Investment Exposure in RBI Master Circular on Exposure Norms DBR. No. Dir.BC.12/13.03.00/ 2015-16 dated July 1, 2015.

### 3.16 Transfers to Depositor Education and Awareness (DEA) Fund

In accordance with the guidelines issued by the RBI, the Bank transfers the amount to the credit of any account which has not been operated upon for a period of ten years or any deposit or any amount remaining unclaimed for more than ten years to the DEA Fund. Details of amounts transferred to DEA Fund are set out below:

(₹ in Crore)

Particulars	March 31, 2021	March 31, 2020
Opening balance of amounts transferred to DEA Fund	177.37	114.56
Add: Amounts transferred to DEA Fund during the year	38.14	67.25
Less: Amounts reimbursed by DEA Fund towards claims	3.48	4.44
Closing balance of amounts transferred to DEA Fund	212.03	177.37

### 3.17 Unhedged Foreign Currency Exposure

The Bank has in place a policy on managing credit risk arising out of unhedged foreign currency exposures of its borrowers. The objective of this policy is to maximize the hedging on foreign currency exposures of borrowers by reviewing their foreign currency exposures and encouraging them to hedge the unhedged portion. The policy framework also articulates the methodologies for ascertaining the amount of unhedged foreign currency exposures, estimating the extent of likely loss, estimating the riskiness of the unhedged position and making appropriate provisions and capital charge as per extant RBI guidelines. In line with the policy, assessment of unhedged foreign currency exposure is a part of credit appraisal while proposing limits or at the review stage. Further, the bank reviews the unhedged foreign currency exposure across its portfolio on a periodic basis. The Bank maintains incremental provisions and additional capital for the unhedged foreign currency exposures of its borrowers in line with the extant RBI guidelines. The Bank has maintained ₹ 15.90 Crore (Previous year ₹ 5.96 Crore) as provision and ₹ 21.06 Crore (Previous year ₹ 4.20 Crore) as additional capital for computation of capital adequacy ratio on account of the unhedged foreign currency exposures of borrowers as at March 31, 2021.







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

### 3.18 Liquidity Coverage Ratio (LCR)

#### a) Quantitative Disclosure

The following table sets forth, the daily average of unweighted and weighted values for all the quarters in the year ended March 31, 2021:

(₹ in Crore)

Particulars	Quarter ended March 31, 2021		Quarter ended December 31, 2020		Quarter ended September 30, 2020		Quarter ended June 30, 2020	
	Total Unweighted Value	Total Weighted Value	Total Unweighted Value	Total Weighted Value	Total Unweighted Value	Total Weighted Value	Total Unweighted Value	Total Weighted Value
High Quality Liquid Assets								
1 Total High Quality Liquid Assets (HQLA)		35,501.98		38,810.45		38,748.71		34,844.87
Cash outflows								
2 Retail deposits and deposits from small business customers, of which:	143,128.38	12,057.86	139,489.09	11,728.08	138,293.02	11,619.64	133,691.38	11,248.71
(i) Stable deposits	45,099.62	2,254.98	44,416.54	2,220.83	44,193.21	2,209.66	42,408.48	2,120.42
(ii) Less stable deposits	98,028.76	9,802.88	95,072.55	9,507.25	94,099.81	9,409.98	91,282.90	9,128.29
3 Unsecured wholesale funding, of which:	11,850.00	5,737.42	9,961.81	4,489.23	10,498.22	4,960.50	10,942.55	5,114.57
(i) Operational deposits (all counterparties)	-	-	-	-	-	-	-	-
(ii) Non-operational deposits (all counterparties)	11,850.00	5,737.42	9,961.81	4,489.23	10,498.22	4,960.50	10,942.55	5,114.57
(iii) Unsecured debt	-	-	-	-	-	-	-	-
4 Secured wholesale funding								
5 Additional requirements, of which	1.03	1.03	18.64	18.64	18.07	18.07	15.95	15.95
(i) Outflows related to derivative exposures and other collateral requirements	1.03	1.03	18.64	18.64	18.07	18.07	15.95	15.95
(ii) Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
(iii) Credit and liquidity facilities	-	-	-	-	-	-	-	-
6 Other contractual funding obligations	31,079.41	2,925.85	33,599.11	3,195.70	35,098.79	3,274.20	32,628.99	3,075.63
7 Other contingent funding obligations	8,239.81	247.19	8,097.65	242.93	8,010.49	240.31	8,183.54	245.51
8 TOTAL CASH OUTFLOWS		20,969.35		19,674.58		20,112.72		19,700.37
Cash Inflows								
9 Secured lending (e.g. reverse repos)	6,347.35	-	12,119.68	-	12,242.76	-	6,630.99	-
10 Inflows from fully performing exposures	7,660.01	6,267.08	6,643.56	5,276.93	5,887.14	4,918.80	4,889.64	4,489.15
11 Other cash inflows	10.04	10.04	0.50	0.50	-	-	-	-
12 TOTAL CASH INFLOWS	14,017.40	6,277.12	18,763.74	5,277.43	18,129.90	4,918.80	11,520.63	4,489.15
13 TOTAL HQLA		35,501.98		38,810.45		38,748.71		34,844.87
14 TOTAL NET CASH OUTFLOWS		14,692.23		14,397.15		15,193.94		15,211.22
15 LIQUIDITY COVERAGE RATIO (%)		241.64%		269.57%		255.03%		229.07%

Note: LCR data has been computed based on simple average of daily observations.

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

The following table sets forth, the daily average of unweighted and weighted values for all the quarters in the year ended March 31, 2020:

(₹ in Crore)

Particulars	Quarter ended March 31, 2020		Quarter ended December 31, 2019		Quarter ended September 30, 2019		Quarter ended June 30, 2019	
	Total	Total	Total	Total	Total	Total	Total	Total
	Unweighted Value	Weighted Value	Unweighted Value	Weighted Value	Unweighted Value	Weighted Value	Unweighted Value	Weighted Value
High Quality Liquid Assets								
1 Total High Quality Liquid Assets (HQLA)		28,976.25		26,816.35		24,524.60		23,278.27
Cash outflows								
2 Retail deposits and deposits from small business customers, of which:	125,491.75	11,719.49	123,228.70	11,499.65	119,909.57	11,181.96	116,970.34	10,897.03
(i) Stable deposits	16,593.62	829.68	16,464.51	823.23	16,179.75	808.98	15,999.95	800.00
(ii) Less stable deposits	108,898.13	10,889.81	106,764.19	10,676.42	103,729.82	10,372.98	100,970.39	10,097.03
3 Unsecured wholesale funding, of which:	12,178.51	5,994.52	9,899.21	4,367.77	8,754.80	3,994.19	8,585.33	4,554.60
(i) Operational deposits (all counterparties)	-	-	-	-	-	-	-	-
(ii) Non-operational deposits (all counterparties)	12,178.51	5,994.52	9,899.21	4,367.77	8,754.80	3,994.19	8,585.33	4,554.60
(iii) Unsecured debt	-	-	-	-	-	-	-	-
4 Secured wholesale funding		-		-		-		-
5 Additional requirements, of which	1.87	1.87	0.63	0.63	1.19	1.19	1.09	1.09
(i) Outflows related to derivative exposures and other collateral requirements	1.87	1.87	0.63	0.63	1.19	1.19	1.09	1.09
(ii) Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
(iii) Credit and liquidity facilities	-	-	-	-	-	-	-	-
6 Other contractual funding obligations	30,690.59	2,921.01	27,718.35	2,622.83	27,398.32	2,609.12	25,831.38	3,288.79
7 Other contingent funding obligations	7,958.10	238.74	7,442.36	223.27	7,351.84	220.56	6,789.76	203.69
8 <b>TOTAL CASH OUTFLOWS</b>		<b>20,875.63</b>		<b>18,714.15</b>		<b>18,007.02</b>		<b>18,945.20</b>
Cash Inflows								
9 Secured lending (e.g. reverse repos)	2,400.02	-	1,434.66	-	1,112.62	-	401.70	-
10 Inflows from fully performing exposures	6,652.90	5,246.00	6,856.07	5,398.97	6,698.63	5,056.67	6,053.79	4,179.18
11 Other cash inflows	0.79	0.79	0.72	0.72	1.46	1.46	0.03	0.03
12 <b>TOTAL CASH INFLOWS</b>	<b>9,053.71</b>	<b>5,246.79</b>	<b>8,291.45</b>	<b>5,399.69</b>	<b>7,812.71</b>	<b>5,058.13</b>	<b>6,455.52</b>	<b>4,179.21</b>
13 <b>TOTAL HQLA</b>		<b>28,976.25</b>		<b>26,816.35</b>		<b>24,524.60</b>		<b>23,278.27</b>
14 <b>TOTAL NET CASH OUTFLOWS</b>		<b>15,628.84</b>		<b>13,314.46</b>		<b>12,948.89</b>		<b>14,765.99</b>
15 <b>LIQUIDITY COVERAGE RATIO (%)</b>		<b>185.40%</b>		<b>201.41%</b>		<b>189.40%</b>		<b>157.65%</b>

Note: LCR data has been computed based on simple average of daily observations.





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

### b) Qualitative Disclosure

The Bank adheres to RBI guidelines on Liquidity Coverage Ratio, Liquidity Risk Monitoring Tools and the LCR Disclosure Standards pursuant to the Basel III Framework on Liquidity Standards that are applicable to banks in India with effect from January 1, 2015. Liquidity Coverage Ratio (LCR) promotes short-term resilience of banks to potential liquidity disruptions by ensuring that they have sufficient high-quality liquid assets (HQLAs) to survive an acute stress scenario lasting for 30 days. LCR is computed on a daily basis from 1<sup>st</sup> January 2017. Bank has computed the LCR of the IFSC Banking Unit at GIFT City on a standalone basis as per the extant guidelines. Bank has not computed LCR separately for any foreign currency since the aggregate liabilities denominated in any foreign currency doesn't amount to 5% or more of the Bank's total liabilities. The Bank has consistently maintained LCR above 80% during the first half and above 90% during the second half as against the regulatory minimum of 80% and 90% during the Fiscal 2021

On an average, 96% of the HQLA maintained by the Bank comprises of Level 1 assets which is the most liquid asset category. Cash in hand, excess CRR and SLR, G-Sec within mandatory SLR requirement permitted by RBI under MSF (presently 3% of NDTL as per the relaxations permitted by RBI in the context of Covid-19) and facility to avail liquidity ratio (presently 15% of NDTL) constitutes Level 1 HQLA. Level 2 Assets maintained by the Bank comprises of (a) marketable securities representing claims on or claims guaranteed by sovereigns, Public Sector Entities (PSEs) or multilateral development banks that are assigned a 20% risk weight under the Basel III Standardized Approach for credit risk and that are not issued by a bank/financial institution/NBFC or any of its affiliated entities and (b) Corporate bonds, not issued by a bank/financial institution/NBFC or any of its affiliated entities, which have been rated BBB- or above by an Eligible Credit Rating Agency. HQLA is also well diversified across various instruments and liquid asset types and should provide the Bank with adequate and timely liquidity.

Bank has a well-diversified funding portfolio. Retail deposits, considered as stable from a liquidity perspective is the major funding source of the Bank, indicating lower dependence of the Bank on wholesale funds.

The liquidity risk management in the Bank is guided by the ALM Policy. Asset Liability Management Committee (ALCO) is the executive level committee responsible for ALM process in the Bank. Bank's liquidity management is actively done by the Treasury department as per the directions of ALCO. Integrated Risk Management Department actively monitors the liquidity position of the Bank and appraises ALCO on a continuous basis to initiate appropriate actions to ensure that the liquidity position is well within the Risk Appetite set by the Board of Directors.

## 4. OTHER DISCLOSURES

### 4.1. Earnings per Share ('EPS')

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 ₹)	7.97	7.76
Diluted earnings per share (in ₹)	7.94	7.70
Earnings used in the computation of basic and diluted earnings per share (₹ in '000)	15,902,973	15,427,811

### 4.2 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

**SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD...)****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 406,670 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"):****(i) Employee Stock Option Scheme 2010 (ESOS 2010)**

Shareholders of the bank had approved Employee Stock Option Scheme (ESOS) 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

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





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

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.

## 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 FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD...)

### 4.3. 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
<b>Gross Block</b>		
At the beginning of the year	250.67	248.75
Additions during the year	54.47	26.57
Deductions / Adjustments during the year	-	24.65
At the end of the year	<b>305.14</b>	<b>250.67</b>
<b>Depreciation / Amortisation</b>		
At the beginning of the year	201.62	190.50
Charge for the year	25.56	35.77
Deductions / Adjustments during the year	-	24.65
Depreciation to date	<b>227.18</b>	<b>201.62</b>
<b>Net Block</b>	<b>77.96</b>	<b>49.05</b>

- 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.

### 4.4. Operating Leases:

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.

### 4.5 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 during the year	1.54	0.07
<b>Balance at the end of the year</b>	<b>5.54</b>	<b>5.76</b>

\* 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
<b>Closing provision at the end of the year *</b>	<b>5.84</b>	<b>15.58</b>

\* 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.





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

### 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 utilised for Write off during the year	2.30	1.04
Reductions during the year	1.11	26.74
<b>Closing provision at the end of the year</b>	<b>42.22</b>	<b>31.28</b>

### 4.6 Amount of Provisions made for income-tax during the year

(₹ in Crore)

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Provision for Income tax		
a) Current tax	555.76	562.46
b) Deferred tax	(8.79)	(72.71)
<b>Total</b>	<b>546.97</b>	<b>489.75</b>

### 4.7 Description of contingent liabilities:

#### a) Claims against the Bank not acknowledged as debts

These represent claims filed against the Bank 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 Bank.

#### 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 the 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 liability.)

**SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD...)****4.8 Provisioning Pertaining to Fraud Accounts**

Particulars	March 31, 2021	March 31, 2020
No. of frauds reported during the year	344	589
Amount involved in fraud (₹ in crore)	723.97	196.70
Amount involved in fraud net of recoveries/write offs/unrealised interest as at the end of the year (₹ in crore)	188.39	27.32
Provision made during the year (₹ in crore)	183.07	25.21
Provision held as at the end of the year for the above accounts (₹ in crore)	188.39	27.32
Amount of unamortised provision debited from "other reserves" as at the end of the year (₹ in crore)	-	-

**4.9 Inter-bank participation with risk sharing**

The aggregate amount of participation purchased by the Bank, shown as advances as per regulatory guidelines, outstanding as of March 31, 2021 was ₹ 854.39 Crore (Previous Year: ₹ 1,556.22 Crore).

The aggregate amount of the participation issued by the Bank, reduced from advances as per regulatory guidelines, outstanding as of March 31, 2021 was ₹ Nil (Previous Year: ₹ 450.00 Crore).

**4.10 Factoring Exposure**

The factoring exposure of the Bank as on March 31, 2021 is ₹ 512.88 Crore (Previous Year: Nil)

**4.11 Priority Sector Lending Certificates (PSLC)**

As per RBI Circular FIDD.CO.Plan.BC.23/04.09.01/2015-16 dated April 7, 2016 the PSLCs purchased and sold is given below:

(₹ in Crore)

Particulars	March 31, 2021		March 31, 2020	
	Purchased (Face value)	Sold (Face value)	Purchased (Face value)	Sold (Face value)
PSLC – Agriculture	-	-	-	-
PSLC – SF/MF	-	-	-	-
PSLC – Micro Enterprises	200.00	-	-	-
PSLC – General	11,795.25	-	-	-

**4.12 Provision for Long Term contracts**

The Bank 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.

**4.13 Corporate Social Responsibility (CSR)**

Operating Expenses include ₹ 35.22 Crores (Previous year: ₹ 42.40 Crore) for the year ended March 31, 2021 towards Corporate Social Responsibility (CSR), in accordance with the Companies Act, 2013.

The Bank has spent 2.00% (previous year 2.79%) of its average net profit for the last three financial years as part of its CSR for the year ended March 31, 2021. As a responsible Bank, it has approached the mandatory requirements of CSR spend positively by utilizing the reporting year to lay required foundation on which to build and scale future projects and partnerships. The Bank Continues to evaluate strategic avenues for CSR expenditure in order to deliver maximum impact. In the years to come, the Bank will further strengthen its processes as per requirement. Gross amount required to be spent by the Bank for the year ended March 31, 2021 is ₹ 35.22 Crore (Previous year ₹ 30.38 Crore).







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

The details of amount spent during the respective year towards CSR are as under:

(₹ in Crore)

Sr. No.	Particulars	March 31, 2021			March 31, 2020		
		Amount spent	Amount unpaid/ Provision	Total	Amount spent	Amount unpaid/ Provision	Total
1	Construction / acquisition of any asset	-	-	-	-	-	-
2	On purpose other than (1) above	35.22*	-	35.22*	42.40*	-	42.40*

# - Includes Contribution to a trust in relation to CSR expenditure in which KMPs of the Bank can exercise significant influence: ₹ 33.42 crores (Previous Year: ₹ 40.62 crores)

\* including unspent portion of FY 2015-16 ₹ 13.88 Crore fully spent in FY 2019-20.

### 4.14 Investor education and protection fund

There has been no delay in transferring amounts, required to be transferred to the Investor Education and Protection Fund by the Bank.

### 4.15 Small and Micro Industries

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.

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

Krishnakumar K  
Executive Vice President

Samir P Rajdev  
Company Secretary

Venkatraman Venkateswaran  
Group President

#### For and on behalf of the Board of Directors

Ashutosh Khajuria  
Executive Director & CFO  
(DIN: 05154975)

Shalini Warriar  
Executive Director  
(DIN: 08257526)

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:  
0045325

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

Place: Kochi  
Date : May 17, 2021

#### Directors:

C Balagopal  
A P Hota  
K Balakrishnan  
Siddhartha Sengupta  
Manoj Fadnis  
Sudarshan Sen  
Varsha Vasant Purandare

(DIN: 00430938)  
(DIN: 02593219)  
(DIN: 00034031)  
(DIN: 08467648)  
(DIN: 01087055)  
(DIN: 03570051)  
(DIN: 05288076)