INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF THE FEDERAL BANK LIMITED

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

OPINION

We have audited the accompanying consolidated financial statements of The Federal Bank Limited (hereinafter referred as the 'the Bank' or 'Holding Company') and its two subsidiaries (Holding Company and subsidiaries together referred to as 'the Group') and its two associates which comprise the consolidated Balance Sheet as at March 31, 2023, the consolidated Profit and Loss Account and the consolidated Cash Flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as 'the consolidated financial statements').

In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of reports of other auditors on separate audited financial statements of such subsidiaries and associates as were audited by other auditors, the aforesaid consolidated financial statements give the information required by the Banking Regulation Act, 1949 as well as the Companies Act, 2013 ('the Act') in the manner so required for banking companies and give a true and fair view in conformity with accounting principles generally accepted in India, of the state of affairs of the Group and its associates as at March 31, 2023, of its consolidated profit and consolidated cash flows for the year ended on that date.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

Key Audit Matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year ended March 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

DESCRIPTION OF KEY AUDIT MATTERS

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

	Key Audit Matters	How our audit addressed the Key Audit Matters
	The identification of performing and non-performing advances (including advances restructured under applicable IRACP Norms) 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 advance applying both quantitative as well as qualitative factors prescribed by the regulations. Significant judgements and estimates for NPA identification and provisioning could give rise to material misstatements on: - Completeness and timing of recognition of non-performing assets in accordance with criteria as per IRACP norms; - Measurement of the provision for non-performing assets based on loan exposure, ageing and classification of the loan, realizable value of security; - Appropriate reversal of unrealized income on the NPAs. Since the classification of advances, identification of NPAs and creation of provision on advances (including additional provisions on restructured advances under applicable IRACP Norms) and income recognition on advances: - Requires proper control mechanism and significant level of estimation by the Bank; - Has significant impact on the overall financial statements of the Bank; we have ascertained this area as a Key Audit Matter.	- Performing other procedures including substantive audit procedures covering the identification of NPAs by the Bank. These procedures included: i. Considering testing of the exception reports generated from the application systems where the advances have been recorded. ii. Considering the accounts reported by the Bank and other banks as Special Mention Accounts ("SMA") in RBI's central repository of information on large credits (CRILC) to identify stress. iii. Reviewing account statements, drawing power calculation, security and other related information of the borrowers selected based on quantitative and qualitative risk factors. iv. Reading of minutes of management committee and credit committee meetings and performing inquiries with the credit and risk departments to ascertain if there were indicators of stress or an occurrence of an event of default in a loan account or any product. v. Considering key observations arising out of Internal Audits, Systems Audits, Credit Audits and Concurrent Audits as per the policies and procedures of the Bank. vi. 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. vii. Examination of advances including stressed/ restructured advances on a sample basis with respect to compliance with the RBI Master Circulars / Guidelines. viii. Seeking independent confirmation of account balances for sample borrowers. ix. Visits to branches/offices and examination of documentation and other records relating to advances. 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 on such samples after considering the key input factors and compared our measurement outcome to that prepared by management.
(ii)	**Valuation of Investments, Identification of and provisioning for Non-Performing Investments (Schedule 8 read with Note 5.1 of Schedule 17 and Note 1.8 of Schedule 18 to the consolidated financial statements)**	
	Investments include investments made by the Bank in various Government Securities, Bonds, Debentures, Shares, Security receipts and other approved securities. RBI Circulars and directives, inter-alia, cover valuation of investments, classification of investments, identification of non-performing investments ('NPI'), non-recognition of income and provisioning against non-performing investments.	- 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 -

INDEPENDENT AUDITORS' REPORT (Contd.)

	Key Audit Matters	**How our audit addressed the Key Audit Matters**
	The valuation of each category (type) of the aforesaid securities is to be done as per the method prescribed in circulars and directives issued by the RBI which involves collection of data/information from various sources such as FIMMDA rates, rates quoted on BSE/NSE, financial statements of unlisted companies etc. We identified valuation of investments and identification of NPI as a Key Audit Matter because of the management judgement involved in determining the value of certain investments (Bonds and Debentures, Pass-through certificates) based on applicable Regulatory guidelines and the Bank's policies, impairment assessment for HTM book based on management judgement, the degree of regulatory focus and the overall significance to the financial results of the Bank.	- We evaluated and understood the Bank's internal control system to comply with relevant RBI guidelines regarding valuation, classification, identification of NPIs, reversal of income on NPIs and provisioning/ depreciation related to investments; - We assessed and evaluated the process adopted for collection of information from various sources for determining market value of these investments; - For the selected sample of investments in hand, we tested accuracy and compliance with the RBI Master Circulars and directions by re-performing valuation for each category of the security; - We carried out substantive audit procedures to recompute independently the provision to be maintained in accordance with the circulars and directives of the RBI. Accordingly, we selected samples from the investments of each category and tested for NPIs as per the RBI guidelines and recomputed the provision to be maintained and if accrual of income is in accordance with the RBI Circular for those selected sample of NPIs; - We tested the mapping of investments between the Investment application software and the financial statement preparation software to ensure compliance with the presentation and disclosure requirements as per the aforesaid RBI Circular/directions.
(iii)	**Information Technology ('IT') Systems and Controls for financial reporting**	
	The Bank's key financial accounting and reporting processes are highly dependent on information systems including automated controls in systems, such that there exists a risk that gaps in the IT control environment could result in the financial accounting and reporting records being materially misstated. The Bank uses several systems for its overall financial reporting and there is a large volume of transactions being recorded at multiple locations daily. In addition, there are increasing challenges to protect the integrity of the Bank's systems and data since cyber security has become a more significant risk in recent periods. 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.	As a part of our audit procedures for review of the Bank's IT systems and related controls for financial reporting: - We tested the design and operating effectiveness of the Bank's IT access controls over the information systems that are critical to financial reporting. - We tested sample 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. - We reviewed the Bank's controls over opening and unauthorized operations in internal/ office accounts. - We reviewed key observations arising out of audits conducted on the Bank's IT systems during the year. - In addition to the above, we tested the design and operating effectiveness of certain automated controls that were considered as key internal financial 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.

	Key Audit Matters	How our audit addressed the Key Audit Matters
(iv)	**Assessment of Provisions and Contingent Liabilities (Schedules 5 and 12 read with Notes 5.13 and 5.21 of Schedule 17 to the consolidated financial statements)**	
	Assessment of Provisions and Contingent liabilities in respect of certain litigations including Direct and Indirect Taxes, various claims filed by other parties not acknowledged as debt (Schedule 12 to the consolidated financial statements) and various employee benefits schemes (Schedule 5 to the consolidated financial statements) was identified as a significant audit area. There is high level of judgement involved in estimating the level of provisioning required as well as in the disclosure of both Provisions and Contingent Liabilities in respect of tax matters and other legal claims. The Bank's assessment is supported by the facts of matter, their own judgment, past experience, and advice from independent legal/ tax consultants wherever considered necessary. Accordingly, unexpected adverse outcomes may significantly impact the Bank's reported profit and state of affairs presented in the Balance Sheet. The valuations of the employee benefit liabilities are calculated with reference to multiple actuarial assumptions and inputs including discount rate, rate of inflation and mortality rates. The valuation of funded assets in respect of the same is also sensitive to changes in the assumptions. We determined the above area as a Key Audit Matter in view of associated uncertainty relating to the outcome of the matters which requires application of judgment in interpretation of law, circumstances of each case and estimates involved.	- Our audit approach / procedures involved: - Obtaining an understanding of internal controls relevant to the identification of litigations and legal cases to be reported; - Understanding the current status of the litigations/tax assessments for the Bank; - Examining recent orders and/or communication received from various tax authorities/ judicial forums and follow up action thereon; - Evaluating the merit of the subject matters identified as significant, with reference to the grounds presented therein and available independent legal / tax advice including opinion of the Bank's tax consultants; - Review 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; - Testing the design and operating effectiveness of key controls over the completeness and accuracy of the data, the measurement of the fair value of the schemes' assets, understanding the judgements made in determining the assumptions used by management to value the employee liabilities with specific schemes and market practice; - Our audit procedures included an assessment of the assumptions used by the actuary by comparing life expectancy assumptions with relevant mortality tables, benchmarking inflation and discount rates against external market data. We verified the value of plan assets to the statements provided by asset management companies managing the plan assets and - Verification of disclosures related to significant litigations, taxation matters and Employee benefits liabilities in the consolidated financial statements.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITORS' REPORT THEREON

The Bank's Board of Directors is responsible for the other information. The Other Information comprises the information in Basel III - Pillar 3 disclosures which we obtained prior to the date of this auditors' report, and Annual Report, which is expected to be made available to us after that date (but does not include the standalone financial statements, consolidated financial statements and our auditors' reports thereon).

Our opinion on the consolidated financial statements does not cover the Other Information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance under SA 720 'The Auditor's responsibilities Relating to Other Information'.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Bank has adequate internal financial controls system with reference to consolidated financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures in the consolidated financial statements made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the appropriateness of this assumption. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group and its associates to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of such entities or business activities within the Group and its associates to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of financial information of such entities included in consolidated financial statements of which we are the independent auditors. For the other entities included in the consolidated financial statements, which have been audited by other auditors, such other auditors remain responsible for the direction, supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion. Our responsibilities in this regard are further described under 'Other Matters' in this audit report.

Materiality is the magnitude of the misstatements in the consolidated financial statements that, individually or aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning of the scope of our audit work and evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatement in the financial statements.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the financial year ended March 31, 2023 and are therefore the key audit matters. We describe these matters in our auditors' 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. The Consolidated Financial Statements include the audited financial statements of one subsidiary, whose financial statements/ financial information reflecting total assets of Rs. 26.07 crores as at 31st March 2023, total revenues of Rs. 61.85 crores and total net profit after tax of Rs. 4.78 crores for the year ended 31st March 2023, and net cash inflow amounting to Rs.3.33 crores for the year ended on that date, as considered in the Consolidated Financial Statements have been audited by one of the joint auditors of the Bank whose reports have been furnished to us by the management. The Consolidated Financial Statements also include the audited financial of one subsidiary, whose financial statements/ financial information reflecting total assets of Rs 9020.48 crores as at 31st March 2023, total revenues of Rs 1225.97 crores and total net profit after tax of Rs 168.39 crores for the year ended 31st March 2023 and net cash inflow amounting to Rs 384.92 crores for the year ended on that date, as considered in the Consolidated Financial Statements have been audited by another independent auditor, whose reports have been furnished to us by the management. Our opinion on the Consolidated Financial Statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries, as well as our report in terms of subsection (3) of Section 143 of the Act insofar as it relates to the aforesaid subsidiaries, is based solely on the respective reports of the aforesaid joint auditor and other auditor.

II. The consolidated financial statements also include the Group's share of net profit of Rs.34.06 crores for the year ended 31 March 2023, as considered in the consolidated financial statements, in respect of two associates, whose financial statements have not been audited by us. These financial statements have been audited by other auditors whose report has been furnished to us by the Management and our opinion on the consolidated financial statements, insofar as it relates to the amounts and disclosures included in respect of its associates and our report in terms of subsection (3) of Section 143 of the Act, insofar as it relates to the aforesaid associates is based solely on the report of the other auditors.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

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

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

d) In our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with the relevant rules issued thereunder to the extent they are not inconsistent with the accounting policies prescribed by RBI;

e) On the basis of written representations received from the directors as on March 31, 2023 and taken on record by the Board of Directors of the Bank and the reports of the statutory auditors of its subsidiaries and associates, none of the directors of the Group companies and its associates is disqualified as on March 31, 2023 from being appointed as a director in terms of Section 164(2) of the Act;

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

g) With regard to matters to be included in the Auditor's Report in accordance with the requirements of Section 197(16) of the Act, in our opinion, being a banking company, the remuneration to its directors during the year ended March 31, 2022 has been paid/provided by the Bank in accordance with the provisions of section 35B (1) of the Banking Regulation Act, 1949, and;

In our opinion and according to the information and explanations given to us and based on the report of the statutory auditors of subsidiaries and associates which were not audited by us, the remuneration paid during the current year by the subsidiary companies and an associate company to their directors is in accordance with the provisions of Section 197 of the Act. The auditors of Ageas Federal Life Insurance Company Limited, (Formerly known as IDBI Federal Life Insurance Company Limited) ('the associate') have reported, managerial remuneration is governed u/s 34A of the Insurance Act, 1938 and requires IRDAI approval. Accordingly, the provisions of Section 197 read with schedule V to the Act are not applicable, and hence reporting under Section 197(16) is not required.

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

i. The consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group and its associates - Refer Schedule 12 and Note 1.13 under Schedule 18 to the consolidated financial statements;

ii. Provision as required, has been made in the consolidated financial statements, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts - Refer Note 1.14 under Schedule 18 to the consolidated financial statements;

iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Bank or its subsidiaries and associates during the year ended 31 March 2023;

iv. a) The respective managements of the Holding Company, its subsidiaries and its associates which are companies incorporated in India whose financial statements have been audited under the Act, have represented to us and to the other auditors of such subsidiaries and associates respectively that, to the best of their knowledge and belief, as disclosed in the note 1.18 under Schedule 18 to the consolidated financial statements, no funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Holding Company or any of such subsidiaries or associates to or in any other person(s) or entity(ies), including foreign entities ('Intermediaries'), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, whether, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the respective Holding Company or any of such subsidiaries or associates ('Ultimate Beneficiaries') or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries;

b) The respective managements of the Holding Company, its subsidiaries and its associates, which are companies incorporated in India whose financial statements have been audited under the Act, have represented to us and the other auditors of such subsidiaries and associates respectively that, to the best of their knowledge and belief, as disclosed in the Note 1.18 under Schedule 18 to the consolidated financial statements, no funds (which are material either individually or in the aggregate) have been received by the respective Holding Company or any of such subsidiaries or associates from any person(s) or entity(ies), including foreign entities (Funding Parties), with the understanding, whether recorded in writing or otherwise, that the Holding Company or any of such subsidiaries or associates shall, whether, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ('Ultimate Beneficiaries') or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries; and

c) Based on the audit procedures that have been considered reasonable and appropriate in the circumstances performed by us and those performed by the auditors of the Bank's subsidiaries and associates which are companies incorporated in India whose financial statements have been audited under the Act, nothing has come to our or other auditors' notice that has caused us or the other auditors to believe that the representations under sub-clause (i) and (ii) of Rule 11(e), as provided under (a) and (b) above, contain any material mis-statement.

v. The dividend declared and paid by the Holding Company, its subsidiaries, and associates, where applicable, is in accordance with sec.123 of the Act

vi. As proviso to Rule 3(1) of the Companies (Accounts) Rules, 2014 is applicable for the Bank only with effect from April 1, 2023, reporting under Rule 11(g) of Companies (Audit and Auditors) Rules, 2014 is not applicable for the financial year ended March 31, 2023.

For **Varma & Varma**
Chartered Accountants
FRN: 004532S

Vijay Narayan Govind
Partner
M. No.203094
UDIN: 23203094BGXYMC5010

Kochi
05th May, 2023

For **Borkar & Muzumdar**
Chartered Accountants
FRN: 101569W

Kaushal Muzumdar
Partner
M. No. 100938
UDIN: 23100938BGQQRI1840

Kochi
05th May, 2023

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

REPORT ON THE INTERNAL FINANCIAL CONTROLS OVER FINANCIAL REPORTING WITH REFERENCE TO CONSOLIDATED FINANCIAL STATEMENTS UNDER CLAUSE(I) OF SUB-SECTION 3 OF SECTION 143 OF THE COMPANIES ACT, 2013 ("THE ACT")

We have audited the internal financial controls over financial reporting with reference to consolidated financial statements of The Federal Bank Limited ('the Bank'), its subsidiary companies and its associates which are companies incorporated in India, as at March 31, 2023 in conjunction with our audit of the consolidated financial statements of the Bank for the year ended on that date.

Management's Responsibility for Internal Financial Controls over Financial Reporting

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

Auditors' Responsibility

Our responsibility is to express an opinion on the Bank's internal financial controls over financial reporting with reference to the consolidated financial statements based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting ('the Guidance Note') and the Standards on Auditing (the 'Standards') as specified under section 143 (10) of the Act to the extent applicable to an audit of internal financial controls, both issued by the ICAI. 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 auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

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

Meaning of Internal Financial Controls Over Financial Reporting

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

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting with reference to consolidated financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting with reference to consolidated financial statements to future periods are subject to the risk that the internal financial control over financial reporting with reference to consolidated financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Bank, its subsidiaries and its associate companies have, in all material respects, an adequate internal financial controls system over financial reporting with reference to consolidated financial statements and such internal financial controls over financial reporting were operating effectively as at March 31, 2023, based on the internal control over financial reporting with reference to consolidated financial statements criteria established by the respective companies considering the essential components of internal control stated in the Guidance Note issued by the ICAI.

Other Matters

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

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

For **Varma & Varma**
Chartered Accountants
FRN: 004532S

Vijay Narayan Govind
Partner
M. No.203094
UDIN: 23203094BGXYMC5010

Kochi
05th May, 2023

For **Borkar & Muzumdar**
Chartered Accountants
FRN: 101569W

Kaushal Muzumdar
Partner
M. No. 100938
UDIN: 23100938BGQQRI1840

Kochi
05th May, 2023

CONSOLIDATED BALANCE SHEET
AS AT MARCH 31, 2023

(₹ in Thousands)

	Schedule	As at March 31, 2023	As at March 31, 2022
CAPITAL AND LIABILITIES			
Capital	1	4,232,402	4,205,089
Reserves and surplus	2	216,991,688	188,350,098
Minority Interest	2A	3,519,706	3,053,307
Deposits	3	2,129,885,009	1,816,775,213
Borrowings	4	258,619,785	195,873,861
Other Liabilities and provisions	5	66,791,976	54,152,877
TOTAL		**2,680,040,566**	**2,262,410,445**
ASSETS			
Cash and balances with Reserve Bank of India	6	126,042,359	160,661,105
Balances with banks and money at call and short notice	7	51,996,928	50,699,948
Investments	8	487,022,380	390,651,931
Advances	9	1,819,567,490	1,499,514,616
Fixed assets	10	9,717,110	6,721,033
Other assets	11	185,694,299	154,161,812
TOTAL		**2,680,040,566**	**2,262,410,445**
Contingent liabilities	12	766,059,726	389,315,038
Bills for collection		56,694,543	50,132,757
Significant accounting policies	17		
Notes to accounts	18		
Schedules referred to above form an integral part of the Consolidated Balance Sheet			

For and on behalf of the Board of Directors

Manikandan Muthiah
Head - Financial Reporting

Samir P Rajdev
Company Secretary

Shalini Warrier
Executive Director
(DIN: 08257526)

C Balagopal
Chairman
(DIN: 00430938)

Venkatraman Venkateswaran
Chief Financial Officer

Shyam Srinivasan
Managing Director & CEO
(DIN: 02274773)

As per our report of even date

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

Vijay Narayan Govind
Partner
Membership No: 203094

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

Kaushal Muzumdar
Partner
Membership No: 100938

Directors:

A P Hota (DIN: 02593219)
Siddhartha Sengupta (DIN: 08467648)
Manoj Fadnis (DIN: 01087055)
Sudarshan Sen (DIN: 03570051)
Varsha Vasant Purandare (DIN: 05288076)
Sankarshan Basu (DIN: 06466594)
Ramanand Mundkur (DIN: 03498212)

Place: Kochi
Date : May 05, 2023

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED MARCH 31, 2023

(₹ in Thousands)

		Schedule	Year ended March 31, 2023	Year ended March 31, 2022
I.	**INCOME**			
	Interest earned	13	178,117,772	143,815,315
	Other income	14	24,362,374	21,209,332
	TOTAL		**202,480,146**	**165,024,647**
II.	**EXPENDITURE**			
	Interest expended	15	99,752,389	79,593,793
	Operating expenses	16	52,112,053	45,921,464
	Provisions and contingencies (Refer Note 1.8 of Schedule 18)		18,858,074	19,855,432
	TOTAL		**170,722,516**	**145,370,689**
III.	**NET PROFIT FOR THE YEAR**		**31,757,630**	**19,653,958**
	Less: Minority Interest		451,036	266,386
	Add: Share in Profit of Associates		340,597	310,281
IV.	**CONSOLIDATED NET PROFIT ATTRIBUTABLE TO GROUP**		**31,647,191**	**19,697,853**
	Balance in Profit and Loss Account brought forward from previous year		43,540,278	34,958,136
	Less: Minority interest pertaining to Pre-acquisition profit (Note 2 of Schedule 17)		2,073	11,114
V.	**AMOUNT AVAILABLE FOR APPROPRIATION**		**75,185,396**	**54,644,875**
VI.	**APPROPRIATIONS**			
	Transfer to Revenue Reserve		4,265,747	2,667,208
	Transfer to Statutory Reserve		7,526,486	4,724,554
	Transfer to Capital Reserve		113,247	888,693
	Transfer to Investment Fluctuation Reserve		9,690	-
	Transfer to Special Reserve		1,606,900	1,233,400
	Transfer to Reserve fund		246,567	146,293
	Redemption of Preference Shares		-	47,053
	Dividend pertaining to previous year paid during the year (Note 1.1 E of Schedule 18)		3,786,630	1,397,396
	Balance carried over to Consolidated Balance Sheet		57,630,129	43,540,278
	TOTAL		**75,185,396**	**54,644,875**
	Earnings per share (Face value of ₹ 2/- each) (₹) (Note 1.6 of Schedule 18)			
	Basic		15.01	9.52
	Diluted		14.85	9.44
	Significant accounting policies	17		
	Notes to accounts	18		
	Schedules referred to above form an integral part of the Consolidated Profit and Loss account			

For and on behalf of the Board of Directors

Manikandan Muthiah
Head - Financial Reporting

Samir P Rajdev
Company Secretary

Shalini Warrier
Executive Director
(DIN: 08257526)

C Balagopal
Chairman
(DIN: 00430938)

Venkatraman Venkateswaran
Chief Financial Officer

Shyam Srinivasan
Managing Director & CEO
(DIN: 02274773)

As per our report of even date

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

Vijay Narayan Govind
Partner
Membership No: 203094

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

Kaushal Muzumdar
Partner
Membership No: 100938

Directors:

A P Hota (DIN: 02593219)
Siddhartha Sengupta (DIN: 08467648)
Manoj Fadnis (DIN: 01087055)
Sudarshan Sen (DIN: 03570051)
Varsha Vasant Purandare (DIN: 05288076)
Sankarshan Basu (DIN: 06466594)
Ramanand Mundkur (DIN: 03498212)

Place: Kochi
Date : May 05, 2023

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED MARCH 31, 2023

(₹ in Thousands)

	Year ended March 31, 2023	Year ended March 31, 2022
Cash Flow from Operating Activities		
Net Profit before taxes	42,518,956	26,506,665
Adjustments for:		
Depreciation on Group's Property	1,821,767	1,388,981
Provision / Depreciation on Investments	407,523	806,251
Amortisation of Premium on Held to Maturity Investments	1,744,601	1,692,231
Provision / Charge for Non Performing Advances	6,552,808	6,615,437
Provision for Standard Assets and Contingencies	1,500,290	6,438,433
(Profit)/ Loss on sale of fixed assets (net)	(8,299)	(53,304)
Employees Stock option Expense	11,364	5,690
	54,549,010	**43,400,384**
Adjustments for working capital changes:-		
(Increase)/ Decrease in Investments [excluding Held to Maturity Investments]	(4,894,678)	(37,792,807)
(Increase)/ Decrease in Advances	(326,605,682)	(150,985,929)
(Increase)/ Decrease in Other Assets	(30,283,802)	(28,165,675)
Increase/ (Decrease) in Deposits	313,109,796	94,914,171
Increase/ (Decrease) in Other liabilities and provisions	11,138,809	9,826,099
	(37,535,557)	**(112,204,141)**
Direct taxes paid (net)	(12,120,449)	(8,932,766)
Net Cash Flow from / (used in) Operating Activities	**4,893,004**	**(77,736,523)**
Cash Flow from Investing Activities		
Purchase of Fixed Assets	(4,840,245)	(2,955,200)
Proceeds from Sale of Fixed Assets	30,700	73,359
(Increase)/ Decrease in Held to Maturity Investments	(93,627,897)	11,959,138
Net Cash flow from / (used in) Investing Activities	**(98,437,442)**	**9,077,297**

CASH FLOW STATEMENT
FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)

(₹ in Thousands)

	Year ended March 31, 2023	Year ended March 31, 2022
Cash Flow from Financing Activities		
Proceeds from Issue of Share Capital	27,313	212,787
Proceeds from Share Premium (net of share issue expenses)	930,938	9,057,309
Increase / (Decrease) in Minority Interest	463,727	885,833
Proceeds from Issue of Subordinate Debt	9,950,000	7,048,000
Increase/(Decrease) in Borrowings (Excluding Subordinate Debt)	52,795,924	66,119,853
Dividend Paid	(3,786,630)	(1,397,396)
Net Cash flow from / (used in) Financing Activities	**60,381,272**	**81,926,386**
Effect of exchange fluctuation on translation reserve	(158,601)	(63,456)
Net Increase/(Decrease) in Cash and Cash Equivalents	**(33,321,767)**	**13,203,704**
Cash and Cash Equivalents at the beginning of the year	211,361,053	198,157,349
Cash and Cash Equivalents at the end of the year	178,039,286	211,361,053

Notes:

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

For and on behalf of the Board of Directors

Manikandan Muthiah
Head - Financial Reporting

Samir P Rajdev
Company Secretary

Shalini Warrier
Executive Director
(DIN: 08257526)

C Balagopal
Chairman
(DIN: 00430938)

Venkatraman Venkateswaran
Chief Financial Officer

Shyam Srinivasan
Managing Director & CEO
(DIN: 02274773)

As per our report of even date

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

Vijay Narayan Govind
Partner
Membership No: 203094

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

Kaushal Muzumdar
Partner
Membership No: 100938

Directors:

A P Hota (DIN: 02593219)
Siddhartha Sengupta (DIN: 08467648)
Manoj Fadnis (DIN: 01087055)
Sudarshan Sen (DIN: 03570051)
Varsha Vasant Purandare (DIN: 05288076)
Sankarshan Basu (DIN: 06466594)
Ramanand Mundkur (DIN: 03498212)

Place: Kochi
Date : May 05, 2023

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

SCHEDULE 1 - CAPITAL

(₹ in Thousands)

	As at March 31, 2023	As at March 31, 2022
Authorised Capital	8,000,000	8,000,000
4,000,000,000 (Previous year 4,000,000,000) Equity Shares of ₹ 2/- each		
Issued Capital	4,235,053	4,207,778
2,117,526,438 (Previous year 2,103,889,168) Equity Shares of ₹ 2/-each		
Subscribed, Called-up and Paid-up Capital	4,232,403	4,205,093
2,116,201,143 (Previous year 2,102,546,373) Equity Shares of ₹ 2/-each		
Less: Calls in arrears	1	4
Total	**4,232,402**	**4,205,089**

Refer Note 1.1 of Schedule 18

SCHEDULE 2 - RESERVES AND SURPLUS

(₹ in Thousands)

			As at March 31, 2023	As at March 31, 2022
I.	**Statutory Reserve**			
	Opening balance		38,534,280	33,809,726
	Additions during the year		7,526,486	4,724,554
			46,060,766	**38,534,280**
II.	**Capital Reserves**			
	a)	Revaluation Reserve		
		Opening balance	50,091	50,091
			50,091	**50,091**
	b)	Capital Redemption Reserve		
		Opening balance	14,661	-
		Additions / (Deductions) during the year	(18)	14,661
			14,643	**14,661**
	(c)	Others		
		Opening balance	7,454,496	6,580,463
		Additions during the year*	113,247	874,033
			7,567,743	**7,454,496**
			7,632,477	**7,519,248**
III.	**Share premium** (Refer Note 1.1 of Schedule 18)			
	Opening balance		62,424,782	53,303,285
	Additions during the year		932,058	9,121,497
			63,356,840	**62,424,782**
IV.	**Revenue and Other Reserves**			
	a)	Revenue Reserve		
		Opening Balance	25,133,417	22,466,209
		Additions during the year	4,265,747	2,667,208
			29,399,164	**25,133,417**

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET (Contd.)

(₹ in Thousands)

		As at March 31, 2023	As at March 31, 2022
b)	Investment Fluctuation Reserve		
	Opening Balance	1,897,200	1,897,200
	Additions during the year	9,690	-
		1,906,890	**1,897,200**
c)	Special Reserve (As per section 36(1)(viii) of Income Tax Act, 1961)		
	Opening balance	8,483,200	7,249,800
	Additions during the year	1,606,900	1,233,400
		10,090,100	**8,483,200**
V.	**Foreign Currency Translation Reserve**		
	Opening Balance	19,116	82,572
	Additions / (Deductions) during the year [Refer Schedule 17 (5.6)]	(158,601)	(63,456)
		(139,485)	**19,116**
VI.	**ESOP Reserve**		
	Opening Balance	22,912	17,222
	Additions during the year	11,364	5,690
	Deductions during the year	1,120	-
		33,156	**22,912**
VII.	**Contingency Reserve**		
	Opening balance	301,003	301,003
		301,003	**301,003**
VIII.	**Reserve Fund**		
	Opening balance	473,905	330,723
	Additions during the year	245,987	143,182
		719,892	**473,905**
IX.	**General Reserve**		
	Opening balance	757	764
	Additions / (Deductions) during the year	(1)	(7)
		756	**757**
X.	**Balance in Consolidated Profit and Loss Account**	**57,630,129**	**43,540,278**
Total		**216,991,688**	**188,350,098**

* - 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 ₹ 111,106 Thousands (Previous year ₹ 842,569 Thousands)

b) Profit on sale of Premises ₹ 2,141 Thousands (Previous year ₹ 31,464 Thousands)

SCHEDULE 2A - MINORITY INTEREST

(₹ in Thousands)

	As at March 31, 2023	As at March 31, 2022
Minority interest at the date on which parent-subsidiary relationship came into existence	786,638	786,638
Subsequent increase	2,733,068	2,266,669
Total	**3,519,706**	**3,053,307**

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET (Contd.)

SCHEDULE 3 - DEPOSITS

(₹ in Thousands)

				As at March 31, 2023	As at March 31, 2022
A.	I.	Demand Deposits			
		i.	From Banks	2,179,831	6,176,235
		ii.	From Others	151,728,327	137,523,300
				153,908,158	**143,699,535**
	II.	Savings Bank Deposits		**543,369,909**	**530,826,744**
	III.	Term Deposits			
		i.	From Banks	23,697,209	9,534,129
		ii.	From Others	1,408,909,733	1,132,714,805
				1,432,606,942	**1,142,248,934**
Total				**2,129,885,009**	**1,816,775,213**
B.	I.	Deposits of branches in India		2,129,601,140	1,816,772,232
	II.	Deposits of branches outside India		283,869	2,981
Total				**2,129,885,009**	**1,816,775,213**

SCHEDULE 4 - BORROWINGS

(₹ in Thousands)

			As at March 31, 2023	As at March 31, 2022
I.	Borrowings in India			
	i.	Reserve Bank of India	-	-
	ii.	Other Banks	64,201,770	39,124,195
	iii.	Other institutions and agencies	164,078,253	137,315,596
Total			**228,280,023**	**176,439,791**
II.	Borrowings outside India		30,339,762	19,434,070
Total			**258,619,785**	**195,873,861**
a)	Secured borrowings included in I and II above		205,860,584	162,209,403
b)	Tier II bond included in I(ii) & I(iii) above		20,103,000	10,153,000

SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS

(₹ in Thousands)

		As at March 31, 2023	As at March 31, 2022
I.	Bills Payable	6,254,620	6,175,507
II.	Inter - office adjustments (Net)	-	-
III.	Interest accrued	6,314,345	2,834,252
IV.	Others (including provisions)*	54,223,011	45,143,118
Total		**66,791,976**	**54,152,877**
*Includes			
General provision for standard assets		15,197,410	14,009,955

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET (Contd.)

SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA

(₹ in Thousands)

	As at March 31, 2023	As at March 31, 2022
I. Cash in hand (including foreign currency notes)	10,838,952	17,297,195
II. Balance with Reserve Bank of India		
i. in Current Accounts	99,203,407	82,863,910
ii. in Other Accounts	16,000,000	60,500,000
Total	**126,042,359**	**160,661,105**

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

(₹ in Thousands)

	As at March 31, 2023	As at March 31, 2022
I. In India		
i. Balances with banks		
a. in Current Accounts	6,206,561	4,148,052
b. in Other Deposit Accounts	909,666	4,382,501
ii. Money at call and short notice		
a. With Banks	-	-
b. With other institutions	4,992,580	1,500,000
Total	**12,108,807**	**10,030,553**
II. Outside India		
i. in Current Accounts	5,376,721	9,063,922
ii. in Other Deposit Accounts	34,511,400	29,938,038
iii. Money at call and short notice	-	1,667,435
Total	**39,888,121**	**40,669,395**
Grand Total (I and II)	**51,996,928**	**50,699,948**

SCHEDULE 8 - INVESTMENTS

(₹ in Thousands)

	As at March 31, 2023	As at March 31, 2022
I. Investments in India in :		
i. Government Securities #	426,889,671	352,689,974
ii. Other approved Securities	-	-
iii. Shares ##	5,585,178	4,562,519
iv. Debentures and Bonds	21,197,649	13,543,328
v. Joint Venture*	2,963,031	2,738,499
vi. Others @	29,037,108	16,517,252
Total	**485,672,637**	**390,051,572**

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET (Contd.)

(₹ in Thousands)

	As at March 31, 2023	As at March 31, 2022
II. Investments outside India		
i. Government Securities (including Local authorities)	24,526	439,301
ii. Subsidiaries / Joint Ventures abroad	-	-
iii. Other investments		
a. Debentures and Bonds	504,502	151,737
b. Shares	10,105	9,321
c. Others (Certificate of Deposit)	810,611	-
Total	**1,349,744**	**600,359**
Grand Total (I and II)	**487,022,381**	**390,651,931**
Gross Investments		
In India	491,054,724	395,023,569
Outside India	1,351,468	600,359
Total	**492,406,192**	**395,623,928**
Depreciation/ Provision for Investments		
In India	5,382,088	4,971,997
Outside India	1,724	-
Total	**5,383,812**	**4,971,997**
Net Investments		
In India	485,672,636	390,051,572
Outside India	1,349,744	600,359
Total	**487,022,380**	**390,651,931**

Securities costing ₹ 95,151,628 Thousands (Previous Year ₹ 77,383,897 Thousands) pledged for availment of fund transfer facility, clearing facility and margin requirements.

Includes Cost of Investment in Associate amounting to ₹ 346,282 Thousands (Previous Year ₹ 309,714 Thousands) including Goodwill of ₹ 150,181 Thousands (Previous Year ₹ 150,181 Thousands)

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

@ Comprises of:

(₹ in Thousands)

Particulars	As at March 31, 2023	As at March 31, 2022
Pass through certificates (PTCs)	25,761,611	5,596,808
Certificate of Deposits	1,340,611	5,323,433
Commercial Paper	492,518	2,481,327
Venture Capital Funds (VCFs)	1,242,378	1,141,681
Security Receipts	-	694,067
Mutual Fund	199,990	1,279,936
Total	**29,037,108**	**16,517,252**

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET (Contd.)

SCHEDULE 9 - ADVANCES

(₹ in Thousands)

	As at March 31, 2023	As at March 31, 2022
A. i. Bills purchased and discounted	41,692,972	35,191,053
ii. Cash credits, overdrafts and loans repayable on demand	759,432,674	644,095,456
iii. Term loans	1,018,441,844	820,228,107
Total	**1,819,567,490**	**1,499,514,616**
B. i. Secured by tangible assets*	1,526,044,412	1,234,097,232
ii. Covered by Bank/Government guarantees #	18,754,982	18,091,031
iii. Unsecured	274,768,096	247,326,353
Total	**1,819,567,490**	**1,499,514,616**
C. I. Advances in India		
i. Priority sectors	559,026,962	442,727,087
ii. Public sector	124,018	1,234,066
iii. Banks	1,275,342	1,951
iv. Others	1,232,066,558	1,039,580,028
Total	**1,792,492,880**	**1,483,543,132**
C. II. Advances outside India		
i. Due from Banks	794,011	528,746
ii. Due from Others		
a) Bills purchased and discounted	-	-
b) Syndicated Loans	9,938,657	3,717,803
c) Others	16,341,942	11,724,935
Total	**27,074,610**	**15,971,484**
Grand Total (C I and C II)	**1,819,567,490**	**1,499,514,616**

* Includes Advances against book debts

Includes Advances against Letter of credit issued by banks

(Advances are net of provisions)

SCHEDULE 10 - FIXED ASSETS

(₹ in Thousands)

	As at March 31, 2023	As at March 31, 2022
A. Premises #		
Gross Block		
At the beginning of the year	2,968,642	2,436,549
Additions during the year	780,062	533,626
Deductions during the year	5,828	1,533
At the end of the year	**3,742,876**	**2,968,642**
Depreciation		
As at the beginning of the year	1,065,719	1,023,451
Charge for the year	62,800	42,268
Deductions during the year	1,815	-
Depreciation to date	**1,126,704**	**1,065,719**
Net Block	**2,616,172**	**1,902,923**
B. Other fixed assets		
(including furniture and fixtures)		
Gross Block		
At the beginning of the year	15,378,278	13,371,686
Additions during the year	3,534,735	2,263,894
Deductions during the year	531,487	257,302
At the end of the year	**18,381,526**	**15,378,278**

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET (Contd.)

(₹ in Thousands)

	As at March 31, 2023	As at March 31, 2022
Depreciation		
As at the beginning of the year	10,848,649	9,740,715
Charge for the year	1,758,970	1,346,713
Deductions during the year	513,103	238,779
Depreciation to date	**12,094,516**	**10,848,649**
Net Block	**6,287,010**	**4,529,629**
C. Capital Work in progress (Including Capital Advances)	813,928	288,481
Grand Total (A+B+C)	**9,717,110**	**6,721,033**

Includes buildings constructed on leasehold land at different places having original cost of ₹ 1,206,265 Thousands (Previous Year ₹ 659,861 Thousands) and Written down value of ₹ 976,551 Thousands (Previous Year ₹ 443,380 Thousands) with remaining lease period varying from 52 - 63 years.

SCHEDULE 11 - OTHER ASSETS

(₹ in Thousands)

	As at March 31, 2023	As at March 31, 2022
I. Inter - office adjustments (net)	-	-
II. Interest accrued	16,805,866	12,523,377
III. Tax paid in advance/tax deducted at source (Net of provision)	13,512,455	11,844,772
IV. Stationery and Stamps	15,676	11,895
V. Non-banking assets acquired in satisfaction of claims	2,926	3,936
VI. Others#	155,357,376	129,777,832
Total	**185,694,299**	**154,161,812**
# Includes		
(a) Priority sector shortfall deposits	131,167,873	109,941,405
(b) Deferred Tax Asset (Refer Note 1.7 of Schedule 18)	1,196,139	1,615,138
(c) Security deposits	2,605,333	2,354,945

SCHEDULE 12 - CONTINGENT LIABILITIES

(₹ in Thousands)

	As at March 31, 2023	As at March 31, 2022
I. Claims against the Bank not acknowledged as debts	18,470,244	16,878,498
II. Liability on account of outstanding forward exchange contracts**	610,661,759	266,022,356
III. Guarantees given on behalf of constituents - in India	107,735,581	78,761,957
IV. Acceptances, endorsements and other obligations	25,350,115	22,885,851
V. Other items for which the Bank is contingently liable@	3,842,027	4,766,376
Total	**766,059,726**	**389,315,038**
(Refer Note 1.13 of Schedule 18)		
** - Including Derivatives		
@ - includes ₹ 2,796,757 Thousands (Previous Year : ₹ 2,486,487 Thousands) being amount transferred to DEA Fund Cell, RBI and outstanding, as per RBI circular DBOD. No.DEAF Cell.BC.114/30.01.002/2013-14.		

SCHEDULES FORMING PART OF THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

SCHEDULE 13 - INTEREST EARNED

(₹ in Thousands)

		Year ended March 31, 2023	Year ended March 31, 2022
I.	Interest/discount on advances/bills	145,078,824	115,643,106
II.	Income on investments	27,818,767	23,164,920
III.	Interest on balances with Reserve Bank of India and other inter-bank funds	2,062,522	2,202,669
IV.	Others*	3,157,659	2,804,620
Total		**178,117,772**	**143,815,315**

* - Includes interest on Income tax refunds amounting to ₹ 12,176 Thousands (Previous year ₹ 288,977 Thousands) accounted based on Assessment orders received.

SCHEDULE 14 - OTHER INCOME

(₹ in Thousands)

		Year ended March 31, 2023	Year ended March 31, 2022
I.	Commission, exchange and brokerage	18,678,006	13,228,649
II.	Profit on sale of investments (Net)	902,443	3,886,879
III.	Profit / (Loss) on revaluation of investments (Net)	(474,312)	(813,501)
IV.	Profit / (Loss) on sale of land, buildings and other assets (Net)	8,299	53,304
V.	Profit on foreign exchange/derivative transactions (Net)	2,971,391	2,420,161
VI.	Income earned by way of dividends etc. from subsidiaries / associates and / or joint ventures.	-	-
VII.	Miscellaneous income**	2,276,547	2,433,840
Total		**24,362,374**	**21,209,332**

** - Includes Recoveries in assets written off ₹ 1,407,335 Thousands (Previous year ₹ 1,791,353 Thousands)

SCHEDULE 15 - INTEREST EXPENDED

(₹ in Thousands)

		Year ended March 31, 2023	Year ended March 31, 2022
I.	Interest on deposits	86,127,812	73,322,891
II.	Interest on Reserve Bank of India/Inter bank borrowings	906,535	358,479
III.	Others	12,718,042	5,912,423
Total		**99,752,389**	**79,593,793**

SCHEDULE 16 - OPERATING EXPENSES

(₹ in Thousands)

		Year ended March 31, 2023	Year ended March 31, 2022
I.	Payments to and provisions for employees	24,402,440	25,116,596
II.	Rent, taxes and lighting	4,302,499	3,655,870
III.	Printing and stationery	533,198	294,405
IV.	Advertisement and publicity	409,295	121,696
V.	Depreciation on group's property	1,821,767	1,388,981
VI.	Directors' fees, allowances and expenses	38,052	31,809
VII.	Auditors' fees and expenses (including branch auditors' fees and expenses)	63,188	78,282
VIII.	Law charges	544,431	316,507
IX.	Postage, Telegrams, Telephones etc	1,256,729	912,628
X.	Repairs and maintenance	1,152,573	858,127
XI.	Insurance	2,318,902	2,145,710
XII.	Other expenditure#	15,268,979	11,000,853
Total		**52,112,053**	**45,921,464**

- Includes Corporate Social Responsibility expenditure amounting to ₹ 452,436 Thousands (Previous Year: ₹ 407,404 Thousands)

SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023

1. BACKGROUND

The Federal Bank Limited ('FBL' or the 'Bank') together with its subsidiaries (collectively, the 'Group') and associates is a diversified financial services group providing a wide range of banking and financial services including commercial banking, retail and corporate banking, project and corporate finance, working capital finance, insurance and treasury products and services. Operations of the Group are spread all over India. The Bank was incorporated on April 23, 1931 as Travancore Federal Bank Limited to cater to the banking needs of Travancore Province. It embarked on a phase of sustained growth under the leadership of Late K.P. Hormis. The Bank is is a publicly held banking company governed by Banking Regulation Act, 1949, the Companies Act, 2013 and other applicable Acts/ regulations. The Bank also has its Digital Banking Unit at Kolkata, Representative Office at Abu Dhabi & Dubai and had set up an International Financial Service Centre (IFSC) Banking unit (IBU) in Gujarat International Finance Tec-City (GIFT City). IBU at Gift city is equivalent to an Offshore Banking unit, for all regulatory purposes.

2. PRINCIPLES OF CONSOLIDATION

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

Name of the entity	Relationship	Country of Incorporation	Ownership held by	% of Holding and voting power either directly or indirectly through subsidiary as at	
				March 31, 2023	March 31, 2022
Fedbank Financial Services Limited (FFSL)	Subsidiary Company	India	The Federal Bank Limited	73.21	73.30
Federal Operations and Services Limited (FOSL)	Subsidiary Company	India	The Federal Bank Limited	100.00	100.00
Ageas Federal Life Insurance Company Limited	Associate	India	The Federal Bank Limited	26.00	26.00
Equirus Capital Private Limited	Associate	India	The Federal Bank Limited	19.79	19.89

(ii) The audited financial statements of the subsidiary companies and the audited financial statements of the associates have been drawn up to the same reporting date as that of the Bank, i.e. March 31, 2023.

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

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

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

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

SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)

3. BASIS OF ACCOUNTING AND PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The Consolidated Financial Statements of the Bank and its subsidiaries (together the 'Group') have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards prescribed under Section 133 of the Companies Act, 2013 read together with the Companies (Accounting Standards) Rules, 2021 and other relevant provisions of the Companies Act, 2013 ("the Act"), circulars and guidelines issued by the RBI as applicable and current practices prevailing within the Banking Industry in India. Suitable adjustments are made to align with the format prescribed under the Third Schedule of Banking Regulation Act, 1949. The consolidated financial statements have been prepared on accrual basis under historical cost convention, except as otherwise stated. The accounting policies adopted in the preparation of financial statements are consistent with those followed in the previous year, except otherwise stated.

The financial statements of Fedbank Financial Services Limited are prepared in accordance with notified Indian Accounting Standards ('Ind-AS') prescribed under section 133 of the Act. However, the financial statements of the referred subsidiary used for consolidation purpose is a special purpose financial statements prepared in accordance with Generally Accepted Accounting Principles in India ('GAAP') and applicable Accounting Standards, to align with the format of the Bank's financial statements.

4. USE OF ESTIMATES

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

5. SIGNIFICANT ACCOUNTING POLICIES

5.1 INVESTMENTS

The Bank

Classification

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

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

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.

Basis of Classification

Investments which the Bank intends to hold till maturity are classified as "Held to Maturity". 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 are not classified in either of the above two categories are classified as "Available for Sale".

Transfer of securities between Categories

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

Acquisition Cost

In determining the acquisition cost of the Investment:

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

Valuation

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

a. Held for Trading /Available for Sale – Investments classified under the AFS and HFT categories are marked-to-market. The 'market value' for quoted securities shall be the prices declared by the Financial Benchmark India Private Limited (FBIL). For securities included under AFS and HFT categories whose prices are not published by FBIL, market price of quoted security shall be as available from the trades/ quotes on the stock exchanges/ reporting platforms/ trading platforms authorised by RBI/SEBI and prices declared by the Fixed Income Money Market and Derivatives Association of India (FIMMDA). 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 classification is ignored. The depreciation on securities acquired on conversion of outstanding loan is provided in accordance with RBI guidelines. Depreciation on the securities acquired by way of conversion of outstanding loan (restructured) is not offset against the appreciation in other securities. 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 amortised 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 FBIL / FIMMDA and suitably marked up for credit risk applicable to the credit rating of the instrument. The matrix for credit risk mark-up for each category and credit ratings along with residual maturity issued by FIMMDA/ FBIL are adopted for this purpose.
   - Pass Through Certificates ('PTC') and Priority Sector PTCs are valued as per extant FIMMDA guidelines.
   - 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 "breakup" 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 are categorised 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 categorised as HTM and assessed for impairment to determine permanent diminution, if any.

SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)

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

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

Disposal of Investments

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

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

Repurchase and Reverse Repurchase Transactions

In accordance with the RBI guidelines, repurchase (Repo) and reverse repurchase (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. Balance in Repo Account is classified under Schedule 4 -Borrowings. Balance in Reverse Repo account with RBI is classified under Schedule 6 (II) (ii) - Balance with RBI in Other accounts. Other balances in Reverse Repo Accounts with original tenor of 14 days or less are classified under Schedule 7 -Balance with Banks and Money at call & short notice. While Reverse Repos with original maturity more than 14 days are classified under Schedule 9-Advances. Borrowing cost on repo transactions is accounted as interest expense and revenue on reverse repo transactions is accounted as interest income.

Short Sales

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

The Subsidiaries

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

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

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

5.2 ADVANCES

The Bank

Classification

Advances are classified into Performing (Standard) and Non-Performing ('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 unrealised interest on NPAs. . Further, NPAs are classified into sub-standard, doubtful and loss assets based on the criteria as per Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances (IRAC) issued by RBI. Interest on Non-Performing advances is transferred to an unrealised interest account and not recognised in Profit and Loss Account until received.

Provisioning

The Bank has made provision for Non-Performing Assets as stipulated under Reserve Bank of India (RBI) norms.

Non-performing advances are written-off in accordance with the Bank's policy. Amounts recovered against debts written off are recognised in the Profit and Loss Account and included under "Other Income".

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 Provision is classified under Schedule 5 – Other Liabilities in the Balance Sheet.

In addition to the above, the Bank on a prudent basis makes provisions on advances or exposures which are not NPAs, but it has reasons to believe on the basis of the extant environment or specific information or basis regulatory guidance / instructions, of a possible slippage of a specific advance or a group of advances or exposures or potential exposures.

For restructured/rescheduled assets, provision is made in accordance with the guidelines issued by the RBI. In respect of loans and advances subjected to restructuring under the Prudential Framework (IRAC), the account is upgraded to standard only after the specified period/ monitoring period, subject to satisfactory performance of the account during the period.

The Bank makes additional provisions as per RBI's guidelines on 'Prudential Framework on Resolution of Stressed Assets' dated June 07, 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 frameworks are made as per extant RBI guidelines.

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 makes additional provisions on loans to specific borrowers in specific stressed sectors, provision on incremental exposure to borrowers identified as per RBI's large exposure framework and on projects where Date of Commencement of Commercial Operations is delayed, as per 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.

Fedbank Financial Services Limited

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

For gold loans, the Company may roll over/ repledge the overdue loan into a fresh loan, provided –

- the customer brings in additional margin in the form of gold or cash to meet the LTV margin requirements as per RBI guidelines; or
- if the revalued collateral value of the gold is adequate to meet the LTV margin requirements as per RBI guidelines.

Irrespective of the days past due status, if these gold loans have adequate margin available as required by the regulatory norms, these loans are classified as 'standard' and standard asset provision rates are applied.

Over and above the DPD based provision, the Company also carries overlays for provision basis assessment of future credit risk. The estimate of such management overlay provision to be carried in the books is reviewed & assessed on a quarterly basis.

5.3 SECURITISATION AND TRANSFER OF ASSETS

The Bank

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

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

SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)

In accordance with RBI guidelines on sale of non-performing advances, if the sale is at a price below the net book value (i.e., book value less provisions held), the shortfall is charged to the Profit and Loss Account and if the sale is for a value higher than the net book value, the excess provision is credited to the Profit and Loss Account in the year the amounts are received. Further, such reversal shall be limited to the extent to which cash received exceeds the net book value of the loan at the time of transfer as per RBI guideline.

Fedbank Financial Services Limited

The Company enters into securitisation / assignment transactions and assets are de-recognised upon sale only if the Company surrenders the control over the contractual rights that comprises in the financial assets i.e. when they meet true sale criteria. The Company has adopted the accounting policy for securitisation / assignment transactions, as notified by RBI in its circular "Revision to the guidelines on transfer of assets through Securitisation and Transfer of loan assets" as amended from time to time.

Gains arising out of securitisation of assets are recognised over the tenure of the securities issued by Special Purpose Vehicle (SPV), losses if any are recognised upfront.

The amount of cash profit on assignment transaction is held under "Cash Profit on loan transfer transactions pending recognition" maintained on an individual transaction basis. The amortisation of cash profit arising out of loan assignment transaction is done at every reporting period end as prescribed by RBI in the afore mentioned circular. The unamortised portion is reflected as "Other long term liabilities" / "Other current liabilities".

5.4 COUNTRY RISK

The Bank

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

5.5 PRIORITY SECTOR LENDING CERTIFICATES (PSLC)

The Bank

The Bank vide RBI circular FIDD.CO.Plan.BC.23/04.09.01/2015-16 dated April 07, 2016, trades in priority sector portfolio by selling or buying PSLC. In the case of a sale transaction, the Bank sells the fulfillment of priority sector obligation and in the case of a purchase transaction the Bank buys the fulfillment of priority sector obligation through RBI trading platform. There is no transfer of risks or loan assets in these transactions. The fee paid for purchase of the PSLC is treated as an 'Expense' and the fee received from the sale of PSLCs is treated as 'Other Income'.

5.6 TRANSACTIONS INVOLVING FOREIGN EXCHANGE

The Bank

In respect of domestic operations:

- Foreign currency income and expenditure items are translated at the exchange rates prevailing on the date of the transaction.
- Foreign currency monetary items are translated at the closing exchange rates notified by Foreign Exchange Dealers Association of India (FEDAI) as at the Balance sheet date.
- The resulting net valuation profit or loss is recognised 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 Foreign Exchange Dealers Association of India (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 'The Effect of changes in Foreign Exchange Rate' as notified under the Act. Any realised gains or losses on such disposal are recognised in the Profit and Loss Account.

SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)

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 recognised in the Profit and Loss Account.

Foreign exchange swaps taken for funding purposes is amortised and recognised 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.

Fedbank Financial Services Limited

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 recognised in the Statement of Profit and Loss account.

Federal Operations and Services Limited

Transactions in foreign currencies are recorded at the exchange rate prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currency outstanding at the Balance Sheet date are translated at the applicable exchange rates prevailing at the year-end. The exchange gain/ loss arising during the year are adjusted to the Statement of Profit and Loss.

5.7 DERIVATIVE TRANSACTIONS

The Bank

The Bank recognises 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 are recognised in the Profit and Loss Account. 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. Hedge derivative transactions are accounted for in accordance with the hedge accounting principles.

Fedbank Financial Services Limited

The Company recognises 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 are recognised in the Statement of Profit and Loss.

5.8 REVENUE RECOGNITION

The Bank

- Interest income is recognised in the profit and loss account on an accrual basis in accordance with AS – 9, 'Revenue Recognition' as notified under Section 133 of the Companies Act, 2013 read together with the Companies (Accounting Standards) Rules, 2021 and the RBI guidelines, except interest income on non-performing assets which is recognised upon receipt basis as specified in RBI guidelines.
- 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 realised first. If different entries are made in the account on the same day, the realisation shall be in the order of charges, interest, and principal.

SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)

- 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.
- Gain/loss on sell down of loans and advances through direct assignment is recognised at the time of sale.
- In respect of non-performing assets acquired from other Banks / FIs and NBFCs, collections in excess of the consideration paid at each asset level or portfolio level is treated as income in accordance with RBI guidelines and clarifications.

Fedbank Financial Services Limited

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

Federal Operations and Services Limited

- Revenue from Operations is recognised as and when services are rendered, as per the terms of Master Service Agreement entered into by the company.
- Other Income
    a. Interest income is recognised on accrual basis using effective interest rate method.
    b. Dividend income is recognised when the Company's right to receive is established.
    c. Other incomes are recognised on accrual basis except when there are significant uncertainties.

5.9 FIXED ASSETS AND DEPRECIATION / AMORTISATION

The Bank

Fixed assets are carried at cost of acquisition less accumulated depreciation, amortisation 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 before it is ready to use. 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.

SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)

Depreciation on fixed assets, including amortisation of software, is charged over the estimated useful life of fixed assets on straight-line basis from the date of addition, 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 Part C of 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**	**Estimated useful life specified under Schedule II of the Companies Act, 2013**
Premises	60 Years	60 Years
Electric equipment and installations	10 Years	10 Years
Furniture and fixtures	10 Years	10 Years
Motor Cars	8 Years	8 Years
Servers, Firewall & Network Equipment	6 Years	6 Years
ATM / CDM / Recyclers etc.	5 Years	15 Years
Currency Sorting Machines	5 Years	5 Years
Office equipments	5 Years	5 Years
Computer hardware	3 Years	3 Years
Modem, scanner, routers, switches etc.	3 Years	6 Years

Improvements to lease hold premises are amortised over the remaining primary period of lease.

Software is depreciated over a period of 3 to 5 years and eligible Cost of license is capitalised as intangible asset and amortised over the license period.

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

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

Fedbank Financial Services Limited

- Tangible Assets are carried at their cost of acquisition less accumulated depreciation and impairment losses, if any. Cost Includes freight, duties, taxes and other incidental expenses and expenses on installation of the assets.
- Depreciation/amortisation on assets is charged based on the useful life of the assets as prescribed under Schedule II of the Companies Act, 2013.

Asset Type	**Useful Life (In Years)**	**Method**	**Rate of Depreciation (%)**
Computer Equipment's	3	SLM	31.67
Server	6		15.83
Office Equipment's	5	WDV	45.08
Vehicles - Cars	8		31.24
Furniture & Fixtures	10		25.88

- Lease hold improvements are being amortised over the period of lease.
- Intangible assets include computer software which are carried at cost of acquisition less accumulated amortisation and amortised on an Straight Line. Method (SLM) basis over the estimated useful lives of 3 years on a pro rata basis.

SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)

Federal Operations and Services Limited

- Property, Plant and Equipments are stated at cost less accumulated depreciation and impairment in value if any. Cost includes purchase price, (inclusive of import duties and non - refundable purchase taxes, after deducting trade discounts and rebates), other costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.
- When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components). The cost of replacement spares/ major inspection relating to property, plant and equipment is capitalised only when it is probable that future economic benefits associated with these will flow to the company and the cost of the item can be measured reliably.
- On disposal of an item of property, plant and equipment, the differences between the disposal proceeds and its carrying amount is recognised in the Statement of Profit and Loss. The residual values, useful life and method of depreciation of property, plant and equipment are reviewed at each financial year and adjusted prospectively, if appropriate. Capital work in progress comprises of the cost of fixed asset that are not yet ready for their intended use at the reporting date.
- Intangible assets are recorded at the cost of acquisition of such assets and are carried at cost less accumulated depreciation and impairment, if any.
- Depreciation is provided on Written Down Value Method in accordance with Schedule II of the Companies Act, 2013. The useful life adopted is as prescribed under Schedule II of the Companies Act 2013, except for the following assets for which a different useful life has been adopted on the basis of technical evaluation/management estimate, based on a review by the management at the year end:-
  - a) The cost of lease holds improvements are amortised on a straight-line basis over the lease period.
  - b) Cost of license is capitalised as intangible asset and amortised over the license period. Also, the cost of software is capitalised as intangible asset and amortised on a straight-line basis over the useful life of 5 years.
  - c) Assets individually costing ₹ 2,000/- or less are fully depreciated in the year of purchase.

5.10 IMPAIRMENT OF ASSETS

Group

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

5.11 NON-BANKING ASSETS ACQUIRED IN SATISFACTION OF CLAIMS

The Bank

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

5.12 LEASE TRANSACTIONS

Operating Lease

The Group

Leases where the lessor effectively retains substantially all the risks and benefits of ownership over the lease term are classified as operating lease. Lease payments for assets taken on operating lease are recognised as an expense in the Profit and Loss Account as per the lease terms. Initial direct costs in respect of operating leases such as legal costs, brokerage costs, etc. are recognised as expense immediately in the Profit and Loss Account.

5.13 EMPLOYEE BENEFITS

The Bank

Defined Contribution Plan

a) Provident Fund

Employees covered under contributory 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 paid/payable by the Bank to The Federal Bank (Employees') Provident Fund Trust, administered by the trustees, is charged to the Profit and Loss account.

b) National Pension System ('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 Pension Fund Regulatory and Development Authority (PFRDA). NPS contributions are recognised in the Profit and Loss Account in the period in which they accrue. The Bank has no liability other than its contribution and recognises such contributions as an expense in the year incurred.

Defined Benefit Plan

a) 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 paid/payable by the Bank to Federal Bank Employees' Pension Fund is charged to the Profit and Loss account.

b) 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 paid/payable by the Bank to the Federal Bank Employees' Gratuity Trust Fund is charged to the Profit and Loss account.

Other Employee Benefits

Compensation for absence on Privilege / Sick / Casual Leave / Leave Travel Concession (LTC) & other Short-term employee benefits

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.

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

Fedbank Financial Services Limited

a) Defined Contribution Plan

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

b) Defined Benefit Plan

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

c) Other Long Term Employee Benefits

The company has a scheme for compensated absences for employees, the liability of which is determined on the basis of an independent actuarial

SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)

valuation carried out at the end of the year, using the projected unit credit method. Actuarial gains and losses are recognised in full in the Statement of Profit and Loss for the period in which they occur.

d) Short Term Employee Benefits

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

Federal Operations and Services Limited

a) Defined Contribution Plan

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

b) Defined Benefit Plan

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

c) Short Term Employee Benefits

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

5.14 EMPLOYEE STOCK OPTION SCHEME

The Bank

The Bank has formulated Employee Stock Option Scheme (ESOS) 2010 & Employee Stock Option Scheme (ESOS) 2017 in accordance with Securities and Exchange Board of India (Employee Stock Option Scheme) Guidelines, 1999, and the same is in consonance as per the provisions and requirements under the SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021. The Schemes provided for grant of options to Employees and whole time Directors 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 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 closing market price of the share on the date preceding the date of grant of the option under ESOS over the exercise price of the option is amortised on a straight line basis over the vesting period.

The 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.

However, the stock options granted to Material risk takers, after March 31, 2021 are accounted as per 'Fair value method' using Black-Scholes model, which is recognised as compensation expense over the vesting period in line with extant RBI guidelines.

Fedbank Financial Services Limited

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

5.15 DEBIT AND CREDIT CARD REWARD POINTS

The Bank

The Bank runs a loyalty program which seeks to recognise and reward customers based on their relationship with the Bank. Under the program, eligible customers are granted loyalty points redeemable in future, subject to certain conditions. The Bank estimates the probable redemption of such loyalty/reward points using an actuarial method on a quarterly basis by employing independent actuary, which includes assumptions such as mortality, redemption, spends, discount rate, value of reward points etc. 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 recognised in the Profit and Loss account and liabilities on the outstanding reward points as at the Balance Sheet date is included in 'Others' under Schedule 5 - Other liabilities and provisions.

5.16 TAXATION

Group

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

Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the applicable tax rates and the provisions of the Income Tax Act, 1961 and other applicable tax laws. Deferred tax is recognised on timing differences, being the differences between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted as at the reporting date. Deferred tax liabilities are recognised for all timing differences. Deferred tax assets are recognised for timing differences of items other than unabsorbed depreciation and carry forward losses only to the extent that reasonable certainty exists that sufficient future taxable income will be available against which these can be realised. However, if there are unabsorbed depreciation and carry forward of losses and items relating to capital losses, deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that there will be sufficient future taxable income available to realise the assets. Deferred tax assets and liabilities are offset if such items relate to taxes on income levied by the same governing tax laws and the Group has a legally enforceable right for such set off. Deferred tax assets are reviewed at each balance sheet date for their realisability.

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

5.17 INPUT CREDIT UNDER GST

Group

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

5.18 SHARE ISSUE EXPENSES

Group

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

5.19 CORPORATE SOCIAL RESPONSIBILITY

Group

Expenditure towards Corporate Social Responsibility, in accordance with Companies Act, 2013 is recognised in the Profit and Loss Account.

5.20 EARNINGS PER SHARE

Group

The Group reports basic and diluted earnings per share in accordance with Accounting Standard 20 - "Earnings per Share", issued by the ICAI, as prescribed under Section 133 of the Companies Act, 2013 read together with the Companies (Accounting Standards) Rules, 2021. Basic earnings per share is computed by dividing the net profit after tax attributable to equity shareholders outstanding 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. The weighted average number of equity shares outstanding during the year is adjusted for events of bonus issue, bonus element in a rights issue to existing shareholders, and share split.

5.21 PROVISIONS, CONTINGENT LIABILITIES, AND CONTINGENT ASSETS

Group

In accordance with Accounting Standard - 29 "Provisions, Contingent Liabilities and Contingent Assets" issued by ICAI, as notified under Section 133 of the Companies

SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)

Act, 2013 read together with the Companies (Accounting Standards) Rules, 2021, a provision is recognised when the group has a present obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits 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 management best estimate required to settle the obligation at the Balance Sheet date, supplemented by experience of similar transactions. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates. If it is no longer probable that an outflow of resources would be required to settle the obligation, the provision is reversed.

No provision is recognised and a disclosure of contingent liability is made when there is:

I. a possible obligation arising from a past event, the existence of which will be confirmed by occurrence or non-occurrence of one or more uncertain future events not within the control of the group; or

II. a present obligation arising from a past event which is not recognised because:

    a) it is not probable that an outflow of resources will be required to settle the obligation; or

    b) a reliable estimate of the amount of the obligation cannot be made.

The group does not expect the outcome of these contingencies to have a materially adverse effect on its financial results.

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

Contingent assets, if any, are not recognised nor disclosed in the financial statements since this may result in the recognition of income that may never be realised. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

Further in the case of **Fedbank Financial Services Limited-**

Secured/Unsecured Loans are classified/ provided for, as per the management's best estimates, subject to the minimum provision required as per Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016.

Company follows a write back policy of provisions which are carried forward for more than 15 months, excluding those pertaining to holding Company, employee benefits or any kind of provision which is in dispute with regulatory authority.

5.22 SEGMENT INFORMATION

Group

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

5.23 ACCOUNTING FOR DIVIDEND

Group

In terms of Accounting Standard 4 - "Contingencies and Events occurring after the Balance sheet date" issued by the ICAI, as notified under Section 133 of the Companies Act, 2013 read together with the Companies (Accounting Standards) Rules, 2021, Proposed Dividend or Dividend declared after balance sheet date are not shown as liability in current year balance sheet. This is disclosed in the notes to accounts. The same is recognised in the year of actual payout post approval of shareholders. However, the Group reckons proposed dividend in determining capital funds in computing the capital adequacy ratio.

5.24 CASH AND CASH EQUIVALENTS

Group

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

SCHEDULE 18: NOTES TO ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023

Amounts in Notes to Accounts forming part of the Consolidated Financial Statements for the year ended March 31, 2023 are denominated in ₹ Crore to conform to extant RBI guidelines except where stated otherwise.

1.1. SHARE CAPITAL

A. EQUITY ISSUE

During the year, the Bank has allotted 13,637,270 (previous year 1,547,231) equity shares consequent to exercise of ESOS vested. Accordingly, the share capital increased by ₹ 2.73 Crore (previous year ₹ 0.31 Crore) and Reserves (share premium) increased by ₹ 92.40 Crore (previous year ₹ 9.08 Crore).

During the year, the share capital of the Bank increased by ₹ 0.35 Lakhs (previous year Nil) and Reserves (share premium) increased by ₹ 8.40 Lakhs (previous year Nil) consequent to allotment of 17,500 shares pertaining to Rights issue of 2007, which were kept in abeyance following Orders from Courts.

Further, the share capital of the Bank increased by ₹ 0.04 Lakhs (previous year Nil) and Reserves (share premium) increased by ₹ 0.53 Lakhs (previous year Nil) consequent to receipt of calls in arrears pertaining to 2,500 shares.

During the previous year, Bank had issued 104,846,394 equity shares of ₹ 2 each for cash pursuant to a preferential allotment at ₹ 87.39 per share aggregating to ₹ 916.25 Crore (including share premium). This resulted in an increase of ₹ 20.97 Crore in Share Capital and ₹ 894.77 Crore (net of share issue expenses ₹ 0.51 Crore) in Reserves (share premium) of the Bank.

B. SUBSCRIBED AND PAID UP CAPITAL INCLUDES:

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

(ii) 25,361,023 underlying equity shares of ₹ 2/- each (previous year 28,361,023 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 equity shares of ₹ 2/- each (previous year 6,530 equity shares of ₹ 2/- each) pertaining to the Rights issue of 1993 issued at a premium of ₹ 5/- per share.

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

(iii) 1,056,665 equity shares of ₹ 2/- each (previous year 1,074,165 equity shares of ₹ 2/- each) at a premium of ₹ 48/- per share pertaining to Rights issue of 2007 .

Listing of shares and credit in demat account in respect of the following Bonus issues are kept in abeyance consequent to injunction orders from various Courts:

(i) 396,670 equity shares of ₹ 2/- each (previous year 406,670 equity shares of ₹ 2/- each) out of the Bonus issue of 2004 and

(ii) 597,005 equity shares of ₹ 2/- each (previous year 612,005 equity shares of ₹ 2/- each) out of the Bonus issue of 2015.

Listing of shares and subsequent credit in demat account of shareholders concerned in respect of 10,000 equity shares out of the Bonus issue of 2004 and 15,000 equity shares out of the Bonus issue of 2015 which were kept in abeyance were executed on receipt of order from court during FY 2022-23.

D. EMPLOYEE STOCK OPTION SCHEME (ESOS)

The Bank

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

Shareholders of the Bank had approved Employee Stock Option Scheme 2010 (ESOS 2010) through postal ballot, the result of which was announced on December 24, 2010, enabling the Board and/or the "Compensation Committee" to grant such

SCHEDULE 18: NOTES TO ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)

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. The options granted will vest based on the status of the employee on the date of vesting, subject to the fulfilment of the performance criteria for the vesting. The exercise period would commence from the date of vesting and will expire on the completion of five years from the date of vesting of options.

Stock option activity under the Scheme for the year ended March 31, 2023 is set out below:

Particulars	No. of Options	Range of exercise prices (₹)	Weighted average exercise price (₹)	Weighted average remaining contractual life (Years)
Outstanding at the beginning of the year	8,277,686	28.63 - 112.35	51.40	0.81
Granted during the year	-	-		
Exercised during the year	5,038,853	28.63- 79.45	48.76	
Forfeited/lapsed during the year	1,678,963	28.63 - 62.00	44.09	
Outstanding at the end of the year	1,559,870	53.70 -112.35	67.76	0.97
Exercisable at the end of the year	1,559,870	53.70 -112.35	67.76	0.97

Stock option activity under the Scheme for the year ended March 31, 2022 is set out below:

Particulars	No. of Options	Range of exercise prices (₹)	Weighted average exercise price (₹)	Weighted average remaining contractual life (Years)
Outstanding at the beginning of the year	9,196,193	28.63 - 112.35	50.80	1.76
Granted during the year	-	-	-	-
Exercised during the year	918,047	28.63 - 62.00	45.45	-
Forfeited/lapsed during the year	460	28.63 – 28.63	28.63	-
Outstanding at the end of the year	8,277,686	28.63 - 112.35	51.40	0.81
Exercisable at the end of the year	8,277,686	28.63 - 112.35	51.40	0.81

As per SEBI guidelines and the Guidance Note on "Accounting for Share-based Payments" issued by the ICAI, the accounting for ESOS can be done either under the "Intrinsic value method" or "Fair value method". 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. No cost has been incurred by the Bank on ESOS issued to the employees of the Bank under the intrinsic value method during the year ended March 31, 2023(previous year Nil).

ii) Employee Stock Option Scheme 2017 (ESOS 2017)

Shareholders of the Bank had approved The Federal Bank Limited Employee Stock Option Scheme 2017 (ESOS 2017) AGM held on July 14, 2017, as a Special Resolution, enabling the Board and/or the "Compensation Committee" to grant such number of equity shares, including options, of the Bank not exceeding 5% of the aggregate number of paid up equity shares of the Bank, in line with the guidelines of SEBI. The options granted will vest based on the status of the employee on the date of vesting, subject to the fulfilment of the performance criteria for the vesting. The exercise period would commence from the date of vesting and will expire on the completion of five years from the date of vesting of options.

Stock option activity under the Scheme for the year ended March 31, 2023 is set out below:

Particulars	No. of Options	Range of exercise prices (₹)	Weighted average exercise price (₹)	Weighted average remaining contractual life (Years)
Outstanding at the beginning of the year	77,129,660	38.30 - 116.85	81.24	4.49

SCHEDULE 18: NOTES TO ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)

Particulars	No. of Options	Range of exercise prices (₹)	Weighted average exercise price (₹)	Weighted average remaining contractual life (Years)
Granted during the year*	4,503,375	87.30-135.65	89.07	7.49
Exercised during the year	8,598,417	38.30-116.85	82.05	-
Forfeited/lapsed during the year	750,956	38.30-116.85	64.12	-
Outstanding at the end of the year	72,283,662	38.30-135.65	81.81	3.83
Exercisable at the end of the year	47,477,097	38.30-116.85	91.75	2.48

Stock option activity under the Scheme for the year ended March 31, 2022 is set out below:

Particulars	No. of Options	Range of exercise prices (₹)	Weighted average exercise price (₹)	Weighted average remaining contractual life (Years)
Outstanding at the beginning of the year	74,926,966	38.30 - 116.85	80.98	5.35
Granted during the year**	3,733,250	77.55 - 91.35	83.85	7.44
Exercised during the year	629,184	81.95 - 98.70	82.92	-
Forfeited/lapsed during the year	901,372	38.30 - 116.85	69.03	-
Outstanding at the end of the year	77,129,660	38.30 - 116.85	81.24	4.49
Exercisable at the end of the year	43,042,257	38.30 - 116.85	94.96	2.87

*Details of options granted during the year ended March 31, 2023 are given below:

Date of grant	No. of options Granted	Grant price (₹ per option)
June 18, 2022	4,258,375	87.30
July 07, 2022	35,000	95.55
October 07, 2022	150,000	120.85
November 14, 2022	5,000	135.05
January 10, 2023	5,000	135.65
February 17, 2023	50,000	130.25

**Details of options granted during the year ended March 31, 2022 are given below:

Date of grant	No. of options Granted	Grant price (₹ per option)
April 30, 2021	1,000,000	77.55
June 09, 2021	2,675,250	86.20
August 27, 2021	33,000	78.20
January 10, 2022	25,000	91.35

As per SEBI guidelines and the Guidance Note on "Accounting for Share based payments" issued by the ICAI, the accounting for ESOS can be done either under the "Intrinsic value method" or "Fair value method". 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.Accordingly options under the scheme are accounted using the intrinsic value method except as stated otherwise. No cost has been incurred by the Bank on ESOS issued to the employees of the Bank under the intrinsic value method during the year ended March 31, 2023 (previous year Nil).

In compliance with RBI guidelines, stock options granted to Whole Time Directors/Chief Executive Officer and Material Risk Takers after the year ended March 31, 2021 have been accounted using fair value method. Accordingly, the Bank has recognised ₹ 1.11 Crore as employee cost in the Profit and Loss Account during the year ended March 31, 2023 (previous year ₹ 0.51 Crore).

SCHEDULE 18: NOTES TO ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)

The options were exercised regularly throughout the year and weighted average share price as per National Stock Exchange price volume data during the year ended March 31, 2023 was ₹ 116.59 (previous year ₹ 88.68).

iii) Effect of Fair value method of accounting ESOS

The Bank

If "Fair Value Method" had been adopted based on "Black-Scholes pricing model" for pricing and accounting of options which are presently accounted using "Intrinsic Value Method", net profit after tax would be lower by ₹ 15.99 Crore (previous year ₹ 21.10 Crore). The modified basic and diluted earnings per share for the year had the Bank followed Fair Value Method for accounting of options which are presently accounted using intrinsic value method would be ₹ 14.20 and ₹ 14.07 (previous year ₹ 9.03 and ₹ 8.97) respectively.

Weighted average fair value of options granted during the years ended March 31, 2023 and March 31, 2022 are as follows:

Particulars	March 31, 2023	March 31, 2022
Weighted average fair value of options granted during the year (in ₹)	31.93	30.53

The fair value of the options is estimated on the date of the grant using the Black-Scholes pricing model, with the following assumptions:

Particulars	March 31, 2023	March 31, 2022
Dividend yield	1% - 2%	1% - 2%
Expected life (in years)	3-5	3 - 4.63
Risk free interest rate	5.00% -8.50%	5.00% - 7.75%
Expected volatility	20% - 50%	30% - 50%
How expected volatility was determined, including an explanation of the extent to which expected volatility was based on historical volatility.	Volatility is based on historical data over the expected life of the option.	Volatility is based on historical data over the expected life of the option.
The method used and the assumptions made to incorporate the effects of expected early exercise.	It is assumed that the options will be exercised within the exercise period.	It is assumed that the options will be exercised within the exercise period.
Whether and how any other features of the option grant were incorporated into the measurement of fair value, such as a market condition.	Stock price and risk free interest rate are variables based on actual market data at the time of valuation.	Stock price and risk free interest rate are variables based on actual market data at the time of valuation.

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

Fedbank Financial Services Limited

(i) Employee Stock Option Plan 2018 (ESOP)

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

Movement in the options outstanding under the Employee Stock Option Plan

(Number of Options)

Particulars	March 31, 2023	March 31, 2022
Outstanding at the beginning of the year	7,870,351	8,151,351
Granted during the year	6,281,250	-

(Number of Options)

Particulars	March 31, 2023	March 31, 2022
Exercised during the year	394,000	281,000
Forfeited/lapsed during the year	281,250	-
Outstanding at the end of the year	13,476,351	7,870,351
Exercisable at the end of the year	2,110,000	1,439,000

(ii) 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 ₹ 5.80 Crore (previous year ₹ 2.18 Crore). The modified basic and diluted earnings per share for the year, had the Company followed Fair Value Method for accounting of ESOP would be ₹ 5.05 and ₹ 5.05 (previous year ₹ 3.13 and ₹ 3.13) respectively.

Group

Effect of Fair value method of accounting ESOS

If "Fair Value Method" had been adopted based on "Black-Scholes pricing model" for pricing and accounting of options which are presently accounted using "Intrinsic Value Method", net profit after tax would be lower by ₹ 20.24 Crore (previous year ₹ 22.70 Crore). The modified basic and diluted earnings per share for the year, had the Group followed Fair Value Method for accounting of options which are presently accounted using intrinsic value method would be ₹ 14.91 and ₹ 14.77 (previous year ₹ 9.41 and ₹ 9.35) respectively.

E. DIVIDEND

The Board of Directors have recommended a dividend of 50% i.e. ₹ 1.00/- per Equity Share on face value of ₹2/- each for the year 2022-23 (Previous Year ₹ 1.80/- per Equity Share) 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 ₹ 211.62 Crore from the Profit and loss account for the year ended March 31, 2023. However, the effect of the proposed dividend has been reckoned in determining capital funds in the computation of Capital adequacy ratio.

1.2 EMPLOYEE BENEFITS (AS 15)

1.2.1 DEFINED CONTRIBUTION PLAN

The Bank

Provident Fund

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

National Pension System

As per the industry level settlement dated April 27, 2010, a Defined Contributory Pension Scheme (DCPS) in line with the National Pension System (introduced for employees of Central Government) was implemented and employees who are covered under National Pension System are not eligible for the existing pension scheme. Employee shall contribute 10% of their Basic Pay and Dearness Allowance towards DCPS and the Bank shall contribute 14% of the Basic Pay and Dearness Allowance towards DCPS. There is no separate Provident Fund for employees covered under National Pension System.

SCHEDULE 18: NOTES TO ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)

The Subsidiaries

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

Group

The Group makes Provident Fund, Employee State Insurance Scheme Contributions and Defined Contributory Pension Scheme for Qualifying Employees. Under the schemes, the Group is required to contribute a specified percentage of the payroll costs to fund the benefits. The Group recognised ₹ 12.81 Crore (previous year ₹ 9.70 Crore) for provident fund contributions, ₹ 1.01 Crore (previous year ₹ 0.85 Crore) for Employee State Insurance Scheme Contributions and ₹ 83.04 Crore (previous year ₹ 77.82 Crore) for DCPS in the Consolidated Profit and Loss Account. The Contributions payable to these plans by the group are at the rates specified in the rules of the schemes.

1.2.2 DEFINED BENEFIT PLAN

A. Gratuity

The Bank

The Bank provides for Gratuity, a defined benefit retirement plan (the "Gratuity Plan") covering the eligible employees. The Gratuity Plan provides a lump sum payment to vested employees on retirement, death, incapacitation or termination of employment, of an amount based on the respective employees' salary and the tenure of employment. Vesting occurs upon completion of 4 years and 240 days of service as per Payment of Gratuity Act, 1972 and its amendment with effect from March 29, 2018 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.

Fedbank Financial Services Limited

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

Federal Operations and Services Limited

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

B. Superannuation / Pension

The Bank

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

SCHEDULE 18: NOTES TO ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)

The following table as furnished by actuary sets out the funded status of gratuity / pension plan and the amount recognised in the Group's Financial Statements for the years indicated:

(i) Change in benefit obligations

(Amount in ₹ Crore)

Particulars	Gratuity Plan						Pension Plan	
	FBL		FFSL		FOSL		FBL	
	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022
Projected benefit obligation at the beginning of the year	451.29	467.81	3.19	2.49	0.45	0.16	1,747.94	1,486.28
Current Service Cost	30.56	29.27	2.18	1.62	0.35	0.28	381.76	388.95
Interest cost	31.45	31.79	0.19	0.14	0.03	0.01	116.86	70.65
Actuarial (gain)/ loss	(7.48)	(5.84)	(0.33)	(0.94)	(0.15)	*	(165.37)	295.67
Benefits paid	(65.09)	(71.74)	(0.61)	(0.12)	-	-	(379.63)	(493.61)
Projected benefit obligation at the end of the year	**440.73**	**451.29**	**4.62**	**3.19**	**0.68**	**0.45**	**1,701.56**	**1,747.94**

* denotes figures less than ₹ 1 Lakh

(ii) Change in plan assets

(Amount in ₹ Crore)

Particulars	Gratuity Plan				Pension Plan	
	FBL		FFSL		FBL	
	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022
Plan assets at the beginning of the year at fair value	493.78	469.49	3.07	2.33	1,803.99	1,494.71
Adjustment to Opening Fair Value of Plan Asset	-	-	0.09	-	-	-
Expected return on plan assets	35.40	37.56	0.18	0.17	131.15	119.58
Actuarial gain/(loss)	0.01	1.67	(0.18)	(0.01)	0.09	12.35
Employer's Contributions	-	56.79	-	0.70	141.54	670.96
Benefits paid	(65.09)	(71.73)	(0.29)	(0.12)	(379.63)	(493.61)
Plan assets at the end of the year at fair value	**464.10**	**493.78**	**2.87**	**3.07**	**1,697.14**	**1,803.99**

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

(Amount in ₹ Crore)

Particulars	Gratuity Plan						Pension Plan	
	FBL		FFSL		FOSL		FBL	
	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022
Fair value of plan assets at the end of the year	464.10	493.78	2.87	3.07	-	-	1,697.14	1,803.99
Present value of the defined benefit obligations at the end of the year	440.73	451.29	4.62	3.19	0.68	0.45	1,701.56	1,747.94
Liability/ (Asset) recognised in the Consolidated Balance Sheet	**(23.37)**	**(42.49)**	**1.75**	**0.12**	**0.68**	**0.45**	**4.42**	**(56.05)**

SCHEDULE 18: NOTES TO ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)

(iv) Gratuity/ pension cost

(Amount in ₹ Crore)

Particulars	Gratuity Plan						Pension Plan	
	FBL		FFSL		FOSL		FBL	
	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2021
Current Service cost	30.56	29.27	2.18	1.62	0.35	0.28	381.76	388.95
Interest cost	31.45	31.79	0.19	0.14	0.03	0.01	116.86	70.65
Expected return on plan assets	(35.40)	(37.56)	(0.18)	(0.17)	-	-	(131.15)	(119.58)
Actuarial (gain)/loss	(7.50)	(7.51)	(0.15)	(0.93)	(0.15)	*	(165.45)	283.32
Net Cost	19.11	15.99	2.04	0.66	0.23	0.29	202.02	623.34
Other direct contributions to the Fund	-	-	-	-	-	-	(0.51)	(37.52)
Net Cost Debit to Consolidated Profit and Loss Account	19.11	15.99	2.04	0.66	0.23	0.29	201.51	585.82#
Actual return on plan assets##	35.42	39.23	-	-	-	-	131.23	131.93

* denotes figures less than ₹ 1 Lakh

- Includes entire additional liability of ₹ 177.32 Crore provided by the Bank during the year ended March 31, 2022 pursuant to the revision in family pension payable to employees of the Bank covered under 11th Bipartite Settlement/Joint Note dated November 11, 2020.

##Figures taken from Audited Financial statements of respective trusts.

(v) Investment details of plan Assets*

(Amount in ₹ Crore)

Particulars	Gratuity Plan		Pension Plan	
	FBL		FBL	
	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022
Central and state Government bonds	-	-	-	-
Other debt securities	-	-	-	5.00
Balance in Saving bank account with the Bank	0.86	2.07	13.04	3.90
Net current assets	-	-	-	0.32
Balance with LIC/ABSL #	463.24	491.71	1,684.10	1,794.77
Total	**464.10**	**493.78**	**1,697.14**	**1,803.99**

* - 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

a) Gratuity Plan

The Bank

(Amount in ₹ Crore)

Particulars	March 31, 2023	March 31, 2022	March 31, 2021	March 31, 2020	March 31, 2019	March 31, 2018
Defined Benefit Obligations	440.73	451.29	467.81	374.63	329.19	311.55
Plan Assets	464.10	493.78	469.49	369.30	334.23	265.75
Surplus/(Deficit)	23.37	42.49	1.68	(5.33)	5.04	(45.80)
Experience adjustments on Plan Liabilities [(Gain)/Loss]	2.78	8.09	(89.21)	(10.09)	(6.56)	(7.08)
Experience Adjustments on Plan Assets [Gain/ (Loss)]	4.11	(7.67)	7.20	3.29	0.77	1.97

Fedbank Financial Services Limited

(Amount in ₹ Crore)

Particulars	March 31, 2023	March 31, 2022	March 31, 2021	March 31, 2020	March 31, 2019	March 31, 2018
Defined Benefit obligations	4.62	3.19	2.49	1.81	1.07	0.64
Plan Assets	2.87	3.07	2.33	1.49	1.10	-
Surplus/(Deficit)	(1.75)	(0.12)	(0.16)	(0.31)	0.03	(0.64)
Experience adjustments on Plan Liabilities [Gain/ (Loss)]	0.29	0.75	0.29	(0.07)	0.04	0.05
Actuarial gain / (loss) on Plan Assets	(0.18)	0.01	0.15	(0.01)	0.01	N.A.

b) Pension Plan

The Bank

(Amount in ₹ Crore)

Particulars	March 31, 2023	March 31, 2022	March 31, 2021	March 31, 2020	March 31, 2019	March 31, 2018
Defined Benefit Obligations	1,701.56	1,747.94	1,486.28	1,197.98	983.39	899.64
Plan Assets	1,697.14	1,803.99	1,494.71	1,129.93	978.09	893.06
Surplus/(Deficit)	(4.42)	56.05	8.43	(68.05)	(5.30)	(6.58)
Experience adjustments on Plan Liabilities [(Gain)/Loss]	(128.95)	(342.70)	(327.78)	(95.10)	(39.39)	(33.27)
Experience adjustments on Plan Assets [Gain/(Loss)]	13.25	(0.49)	13.79	7.54	(3.14)	9.60

(vii) Assumptions

(Amount in ₹ Crore)

Particulars	Gratuity Plan						Pension Plan	
	FBL		FFSL		FOSL		FBL	
	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022
Discount rate	7.51%	7.36%	7.13%	6.03%	7.31%	7.19%	7.50%	7.25%
Annuity rate per Rupee (in ₹)	-	-	-	-	-	-	134.64	146.69
Salary escalation rate	5.00%	5.00%	6.50%	6.50%	5.00%	5.00%	5.00%	5.00%
Estimated rate of return on plan assets	7.17%	8.00%	-	-	-	-	7.27%	8.00%

SCHEDULE 18: NOTES TO ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)

(Amount in ₹ Crore)

Particulars	Gratuity Plan						Pension Plan	
	FBL		FFSL		FOSL		FBL	
	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022
Attrition Rate	2.00%	2.00%	-	-	-	-	1.00%	1.00%
Mortality Table	IALM 2012-14 Ultimate	IALM 2012-14 Ultimate	IALM 2012-14 Ultimate	IALM 2012-14 Ultimate	IALM 2012-14 Ultimate	IALM 2012-14 Ultimate	IALM 2012-14 Ultimate	IALM 2012-14 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 Bank

The employees of the Bank are entitled to compensated absence. The employees can carry forward a portion of the unutilised accrued compensated absence and utilise it in future periods or receive cash compensation at retirement or termination of employment for the unutilised 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.

Fedbank Financial Services Limited

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

Group

A sum of ₹ 87.97 Crore (previous year ₹ 112.65 Crore) has been provided towards the above liabilities in accordance with AS 15 based on actuarial valuation.

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

(Amount in ₹ Crore)

Particulars	March 31, 2023		March 31, 2022	
	FBL	FFSL	FBL	FFSL
Privilege leave	389.17	3.36	313.01	3.07
Sick leave	27.60	-	27.42	-
Leave travel concession	44.21	-	33.48	-
Casual leave	1.92	-	2.23	-
Total actuarial liability	**462.90**	**3.36**	**376.14**	**3.07**
Assumptions				
Discount rate	7.51%	7.13%	7.36%	6.03%

SCHEDULE 18: NOTES TO ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)

(Amount in ₹ Crore)

Particulars	March 31, 2023		March 31, 2022	
	FBL	FFSL	FBL	FFSL
Salary escalation rate	5.00%	6.50%	5.00%	6.50%
Attrition rate	2.00%	-	2.00%	-

The discount rate is based on the prevailing market yields of Government of India securities as on 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.

1.3 SEGMENT REPORTING (AS 17)

A. BUSINESS SEGMENTS

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

Treasury

Treasury operations include trading and investments in Government Securities and corporate debt instruments, equity and mutual funds, derivative trading 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 group, 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/utilised and other allocated overheads. Provisions allocated to the segment consist of diminution in the value of non performing 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, charges /fees from loans and other banking services rendered to such customers. The principal expenses of the segment consist of interest expenses on funds utilised and other expenses allocated as per the methodology approved by the board of the Bank. Provisions allocated to the segment include 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, on the basis of the status of the borrower, nature of the product, granularity of the exposure and quantum thereof.

Revenue of this segment consists of interest earned, charges /fees from loans and other banking services rendered to such customers. The principal expenses of the segment consist of interest expenses on funds utilised 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.

As per the RBI Circular DOR.AUT.REC.12/22.01.001/2022-23 dated April 07, 2022 on establishment of Digital Banking Unit (DBU), for the purpose of disclosure under 'Accounting Standard 17 - Segment Reporting', 'Digital Banking' has been identified as a sub-segment of the existing 'Retail Banking' segment by Reserve Bank of India (RBI). The DBU of the Bank commenced operations during the quarter ended December 31, 2022 and accordingly the Bank has disclosed the business involving digital banking products acquired by DBU, together with existing digital banking products under the Digital Banking segment.

SCHEDULE 18: NOTES TO ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)

Other Banking Operations

This segment includes banking operations, not covered under any of the above segments such as para banking operations. 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.

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

March 31, 2023

(Amount in ₹ Crore)

Business Segments	Treasury	Corporate/ Wholesale Banking	Retail Banking#	Other Banking Operations	Total
Revenue	2,535.55	5,207.04	12,287.10	212.25	20,241.94
Result (net of provisions)	524.60	943.35	2,615.38	158.17	4,241.50
Unallocated income / (expense)					21.44
Operating profit (PBT)					4,262.94
Income taxes					(1,087.18)
Share in profit of associates					34.06
Minority interest					(45.10)
Extraordinary profit/(loss)	-	-	-	-	-
Net profit					3,164.72
OTHER INFORMATION					
Segment assets	52,069.24	96,727.29	112,569.64	13.13	261,379.30
Unallocated assets					6,624.76
Total assets					268,004.06
Segment liabilities	29,420.93	24,140.80	189,288.92	2.94	242853.59
Unallocated liabilities					2,676.09
Total liabilities					245,529.68

Sub segments included in retail banking are as follows:

(Amount in ₹ Crore)

Sub Segment	Revenue	Result (Net of provisions)	Segment Assets	Segment liabilities
Digital Banking	903.54	113.59	4,165.92	12,037.20
Other Retail Banking	11,383.56	2,501.79	108,403.72	177,251.72

March 31, 2022

(Amount in ₹ Crore)

Business Segments	Treasury	Corporate/ Wholesale Banking	Retail Banking#	Other Banking Operations	Total
Revenue	2,313.27	4,223.07	9,781.55	148.37	16,466.26
Result (net of provisions)	627.22	541.14	1,334.33	107.38	2,610.07
Unallocated income / (expense)					36.21
Operating profit (PBT)					2,646.28
Income taxes					(680.88)

SCHEDULE 18: NOTES TO ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)

(Amount in ₹ Crore)

Business Segments	Treasury	Corporate/ Wholesale Banking	Retail Banking#	Other Banking Operations	Total
Share in profit of associates					31.03
Minority interest					(26.64)
Extraordinary profit/(loss)	-	-	-	-	-
Net profit					1,969.79
OTHER INFORMATION					
Segment assets	47,637.64	78,084.65	93,782.55	4.01	219,508.85
Unallocated assets					6,732.19
Total assets					226,241.04
Segment liabilities	18,595.84	18,773.66	166,841.08	3.64	204,214.22
Unallocated liabilities					2,465.97
Total liabilities					206,680.19

Sub segments included in retail banking are as follows:

(Amount in ₹ Crore)

Sub Segment	Revenue	Result (Net of provisions)	Segment Assets	Segment liabilities
Digital Banking	567.72	68.80	2,043.46	6,275.64
Other Retail Banking	9,213.83	1,265.53	91,739.09	160,565.44

B. GEOGRAPHICAL SEGMENT INFORMATION

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

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.

1.4 RELATED PARTY DISCLOSURES (AS 18)

A) DETAILS OF RELATED PARTIES

Name of the entity	Nature of Relationship
Ageas Federal Life Insurance Company Limited	Associate
Equirus Capital Private Limited	Associate
Federal Bank 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	Description of Relationships
Mr. Shyam Srinivasan, Managing Director & CEO	▪ Mr. T S Srinivasan ▪ Ms. Kamala Srinivasan ▪ Ms. Maya Shyam ▪ Ms. Meena Lochani ▪ Ms. Rohini	▪ Father ▪ Mother ▪ Wife ▪ Sister ▪ Sister

SCHEDULE 18: NOTES TO ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)

Name of the Key Management personnel	Relatives of the Key Management Personnel	Description of Relationships
Mr. Ashutosh Khajuria, Executive Director	▪ Ms. Sunita Khajuria ▪ Ms. Vasundhara Khajuria ▪ Ms. Yashodhara Khajuria	▪ Wife ▪ Daughter ▪ Daughter
Ms. Shalini Warrier, Executive Director	▪ Ms. Parvathi Warrier ▪ Ms. Asha Warrier	▪ Mother ▪ Sister

B) TRANSACTIONS WITH RELATED PARTIES

For the year ended March 31, 2023

(Amount in ₹ Crore)

Items/Related Party	Associates	Key Management Personnel	Relatives of KMP	Total
Deposits#	71.79	6.58	2.69	81.06
	(76.35)	(6.79)	(2.79)	(85.93)
Advances#	-	0.17	0.07	0.24
	(1.04)	(0.21)	(0.10)	(1.35)
Investments in shares#	232.01	-	-	232.01
	(232.01)	-	-	(232.01)
Interest paid	*	0.35	0.13	0.48
Interest received	0.13	0.01	0.01	0.15
Income from services rendered	86.53	-	-	86.53
Receivable#	13.73	-	-	13.73
	(76.63)	-	-	(76.63)
Directors sitting fee received	0.31	-	-	0.31
Remuneration paid	-	5.56	-	5.56
Dividend received	7.95	-	-	7.95
Dividend paid	-	0.24	-	0.24
Share capital received on exercise of ESOS	-	2.31	-	2.31
Number of options granted under ESOS	-	157,400	-	157,400
Number of options outstanding under ESOS	-	3,234,080	-	3,234,080

* Denotes figures less than ₹ 1 Lakh.

- Represents outstanding as on March 31, 2023

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, 2022

(Amount in ₹ Crore)

Items/Related Party	Associates	Key Management Personnel	Relatives of KMP	Total
Deposits#	46.55	4.50	2.08	53.13
	(81.55)	(4.66)	(2.11)	(88.32)
Advances#	-	0.21	0.10	0.31
	-	(0.24)	(0.11)	(0.35)

SCHEDULE 18: NOTES TO ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)

(Amount in ₹ Crore)

Items/Related Party	Associates	Key Management Personnel	Relatives of KMP	Total
Investments in shares#	232.01	-	-	232.01
	(232.01)	-	-	(232.01)
Interest paid	*	0.20	0.09	0.29
Interest received	0.11	0.01	*	0.12
Income from services rendered	62.76	-	-	62.76
Receivable#	10.20	-	-	10.20
	(20.63)	-	-	(20.63)
Directors sitting fee received	0.14	-	-	0.14
Remuneration paid	-	5.92	-	5.92
Dividend received	27.67	-	-	27.67
Dividend paid	-	0.08	-	0.08
Share capital received on exercise of ESOS	-	-	-	-
Number of options granted under ESOS	-	226,000	-	226,000
Number of options outstanding under ESOS	-	3,536,680	-	3,536,680

* Denotes figures less than ₹ 1 Lakh.

- Represents outstanding as on March 31, 2022

Figures in brackets 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 Group and the related parties during the year ended March 31, 2023 and March 31, 2022 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:

(Amount in ₹ Crore)

Nature of Transaction	Name of the Related party	March 31, 2023	March 31, 2022
Deposits	Ageas Federal Life Insurance Company Limited	70.61	46.46
Investments in shares	Ageas Federal Life Insurance Company Limited	208.00	208.00
Interest paid	Mr. Shyam Srinivasan	0.29	0.15
Income from services rendered	Ageas Federal Life Insurance Company Limited	86.53	62.76
Receivable	Ageas Federal Life Insurance Company Limited	13.73	10.20
Directors sitting fee received	Ageas Federal Life Insurance Company Limited	0.23	0.14
	Equirus Capital Private Limited	0.08	- #
Remuneration paid	Mr. Shyam Srinivasan	2.96	2.94
	Mr. Ashutosh Khajuria	1.27	1.52
	Ms. Shalini Warrier	1.32	1.46
Dividend received	Ageas Federal Life Insurance Company Limited	7.28	27.04

SCHEDULE 18: NOTES TO ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)

(Amount in ₹ Crore)

Nature of Transaction	Name of the Related party	March 31, 2023	March 31, 2022
Dividend paid	Mr. Shyam Srinivasan	0.14	0.05
	Mr. Ashutosh Khajuria	0.09	0.03
Share capital received on exercise of ESOS	Mr. Ashutosh Khajuria	0.76	-#
	Ms. Shalini Warrier	1.55	-#
Number of options granted under ESOS	Mr. Ashutosh Khajuria	91,000	113,000
	Ms. Shalini Warrier	66,400	113,000
Number of options outstanding under ESOS	Mr. Ashutosh Khajuria	851,500	960,500
	Ms. Shalini Warrier	2,061,900	2,255,500

Not significant related party transaction in FY 2021-22.

1.5 LEASE (AS 19)

The Bank

Lease payments for assets taken on operating lease are recognised as an expense in the Profit and Loss Account as per the lease terms. During the year an amount of ₹ 192.72 Crore (previous year ₹ 174.16 Crore) was charged to Profit and loss account.

The Bank has not sub-leased its properties taken on lease.

There are no provisions relating to contingent rent.

The terms of renewal/purchase options and escalation clauses are those normally prevalent in similar agreements. There are generally no undue restrictions or onerous clauses in the agreements.

Fedbank Financial Services Limited

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

(Amount in ₹ Crore)

Particulars	March 31, 2023	March 31, 2022
Future minimum lease payments:		
- Up to one year	4.37	4.19
- More than one year and up to five years	0.46	4.82
- More than five years	-	-
Lease payments recognised in the Statement of Profit and Loss with respect to above mentioned operating lease arrangement	4.19	3.99

In addition, all other operating lease agreements entered into by the Company are cancellable in nature. Accordingly, the lease rental payments for branches / offices taken on an operating lease ₹ 29.03 Crore (previous year ₹26.57 Crore) have been recognised as "Rent Paid" in the Statement of Profit and Loss.

Federal Operations and Services Limited

The company has taken premises under rental arrangements, which are in the nature of cancellable operating leases.

SCHEDULE 18: NOTES TO ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)

1.6 EARNINGS PER SHARE (AS 20)

Basic and diluted earnings per equity share are computed in accordance with AS 20 – Earnings per share. Basic earnings per equity share is computed by dividing consolidated net profit of the group for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. Diluted earnings per equity share is computed by dividing the consolidated net profit of the group for the period attributable to equity shareholders by the weighted average number of shares outstanding during the period adjusted for the effects of all dilutive potential equity shares.

The following table sets forth, for the years indicated, the computation of earnings per share.

Particulars	March 31, 2023	March 31, 2022
Earnings used in the computation of basic and diluted earnings per share (₹ in Crore)	3,164.72	1,969.79
Basic earnings per share (in ₹)	15.01	9.52
Effect of potential equity shares (in ₹)	(0.16)	(0.08)
Diluted earnings per share (in ₹)	14.85	9.44
Nominal value per share (in ₹)	2.00	2.00
Reconciliation between weighted shares used in computation of basic and diluted earnings per share		
Basic weighted average number of equity shares outstanding (in Crore)	210.91	206.92
Add: Effect of potential number of equity shares for stock options outstanding (in Crore)	2.22	1.64
Diluted weighted average number of equity shares outstanding (in Crore)	213.13	208.56

1.7 DEFERRED TAX ASSETS / LIABILITY (AS 22)

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

(Amount in ₹ Crore)

Particulars	March 31, 2023	March 31, 2022
Deferred Tax Liability		
Tax effect of items constituting deferred tax liability:		
(i) Interest accrued but not due	198.40	148.15
(ii) Depreciation on Investments	3.37	3.77
(iii) Special Reserve under Section 36 (1) (viii) of the Income Tax Act, 1961	239.43	199.16
(iv) Others	3.41	9.16
Total - (A)	**444.61**	**360.24**
Deferred Tax Asset		
Tax effect of items constituting deferred tax assets:		
(i) Interest/premium paid on purchase of securities	0.36	0.38
(ii) Provision for Standard Assets	375.65	342.22
(iii) Depreciation on Fixed Assets	0.65	6.61
(iv) Others	187.56	172.54
Total - (B)	**564.22**	**521.75**
Net Deferred tax liability/ (Asset) (A-B)	**(119.61)**	**(161.51)**

SCHEDULE 18: NOTES TO ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)

1.8 PROVISIONS AND CONTINGENCIES RECOGNISED IN THE CONSOLIDATED PROFIT AND LOSS ACCOUNT INCLUDES:

(Amount in ₹ Crore)

Sl. No.	Particulars	March 31, 2023	March 31, 2022
i)	Provision towards NPAs	655.28	661.55
ii)	Provision for Non-Performing Investments	(6.68)	(0.72)
iii)	Provision for Standard Assets	117.56	610.40
iv)	Provision for Taxation (refer Note 1.9)	1,087.18	680.88
v)	Provision towards present value of sacrifice on restructuring, other contingencies etc.	32.47	33.43
	Total	**1,885.81**	**1,985.54**

1.9 AMOUNT OF PROVISIONS MADE FOR INCOME-TAX DURING THE YEAR:

(Amount in ₹ Crore)

Particulars	March 31, 2023	March 31, 2022
Provision for Income Tax		
a) Current Tax	1,085.93	845.25
b) Deferred Tax	1.25	(164.37)
Total	**1,087.18**	**680.88**

1.10 DETAILS OF PENALTY IMPOSED BY THE RESERVE BANK OF INDIA

The Bank

(Amount in ₹ Lakh)

Particulars	March 31, 2023	March 31, 2022
a) Penalty imposed on currency chests		
Number of instances of default	14	14
Quantum of penalty imposed	3.07	0.56
b) Penalty imposed on deficiency in regulatory compliances		
Number of instances of default	81	4
Quantum of penalty imposed	630.65	0.40

Fedbank Financial Services Limited

Penalty of ₹ Nil was imposed on Fedbank Financial Services Limited during the year ended March 31, 2023. (previous year : Nil)

1.11 FIXED ASSETS

A) FIXED ASSETS AS PER SCHEDULE 10 INCLUDE INTANGIBLE ASSETS RELATING TO SOFTWARE AND SYSTEM DEVELOPMENT EXPENDITURE. DETAILS REGARDING THE SAME ARE TABULATED BELOW:

(Amount in ₹ Crore)

Particulars	March 31,2023	March 31, 2022
Gross Block		
At the beginning of the year	381.06	313.12
Additions during the year	134.85	67.94
Deductions / Adjustments during the year	-	-
At the end of the year	**515.91**	**381.06**
Depreciation / Amortisation		
At the beginning of the year	268.14	232.68
Charge for the year	54.83	35.46

SCHEDULE 18: NOTES TO ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)

(Amount in ₹ Crore)

Particulars	March 31,2023	March 31, 2022
Deductions during the year	-	-
Depreciation to date	**322.97**	**268.14**
Net Block	**192.94**	**112.92**

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 years ended March 31, 2023 and March 31, 2022.

1.12 PROVISIONS AND CONTINGENCIES

The Bank

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

(Amount in ₹ Crore)

Particulars	March 31, 2023	March 31, 2022
Opening balance	6.67	5.54
Additions during the year	23.16	1.13
Reductions during the year	(0.10)	-
Closing balance	**29.73**	**6.67**

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

b) Movement in provision for debit and credit card reward points

(Amount in ₹ Crore)

Particulars	March 31, 2023	March 31, 2022
Opening provision	10.89	5.84
Provision made during the year	12.00	31.68
Reductions during the year	12.51	26.63
Closing provision*	**10.38**	**10.89**

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

c) Movement in provision for other contingencies

(Amount in ₹ Crore)

Particulars	March 31, 2023	March 31, 2022
Opening provision	76.47	42.22
Provision made during the year	11.10	35.88
Provision utilised for Write off during the year	0.78	1.15
Reductions during the year	1.48	0.48
Closing provision	**85.31**	**76.47**

d) Movement in floating provision:

(Amount in ₹ Crore)

Particulars	Standard Asset Provision		NPA Provision	
	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022
Opening balance	12.75	12.75	69.18	69.18
Provision made during the year	-	-	-	-
Amount drawn down during the year	-	-	-	-
Closing balance	**12.75**	**12.75**	**69.18**	**69.18**

SCHEDULE 18: NOTES TO ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)

1.13 DESCRIPTION OF CONTINGENT LIABILITIES

A) CLAIMS AGAINST THE GROUP NOT ACKNOWLEDGED AS DEBTS

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

B) LIABILITY ON ACCOUNT OF FORWARD EXCHANGE AND DERIVATIVE CONTRACTS

The Bank presently enters into foreign exchange contracts and interest rate swaps with interbank Counterparties and Customers. Forward exchange contracts are commitments to buy or sell foreign currency at a future date at the contracted rate. Interest rate swaps are commitments to exchange fixed and floating interest rate cash flows in the same currency based on fixed rates or benchmark reference. The notional amounts of such foreign exchange contracts and derivatives provide a basis for comparison with instruments recognised 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 GROUP IS CONTINGENTLY LIABLE

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

(Refer Schedule 12 for amounts relating to Contingent Liabilities)

1.14 PROVISION FOR LONG TERM CONTRACTS

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

1.15 SMALL AND MICRO INDUSTRIES

The Bank

Under the Micro, Small and Medium Enterprises Development Act, 2006 which came into force from October 02, 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.

Fedbank Financial Services Limited

Under the Micro, Small and Medium Enterprises Development Act, 2006 which came into force from October 02, 2006, certain disclosures are required to be made relating to Micro, Small and Medium enterprises. Out of the trade payable of ₹ 16.33 Crore (previous year ₹ 5.36 Crore), ₹ Nil (previous year ₹ Nil) is due to Micro, Small and Medium Enterprises. The Company has taken

SCHEDULE 18: NOTES TO ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)

steps to identify the suppliers who qualify under definition of micro, and small enterprises as defined under the Micro, Small and Medium Enterprises Development Act, 2006. The aforesaid classification is based on responses received by the Company to its enquires with suppliers with regard to applicability under the said act.

Federal Operations and Services Limited

The Company has taken steps to identify suppliers who qualify under the definition of Micro and Small Enterprises, as defined under the Micro, Small and Medium Enterprises Development Act 2006. Since no intimation has been received from the suppliers regarding their status under the said Act as on March 31, 2023, disclosures relating to amounts unpaid as at the year end, if any, have not been furnished.

1.16 CORPORATE SOCIAL RESPONSIBILITY (CSR)

The Bank

a) The gross amount required to be spent by the Bank on Corporate Social Responsibility (CSR) related activities during the year ended March 31, 2023, was ₹ 43.88 Crore (previous year ₹ 39.89 Crore).

b) The amount approved by the Board of the Bank to be spent during the year was ₹ 43.88 Crore (previous year ₹ 40.06 Crore).

c) Amount spent/transferred to separate CSR unspent account during the year is given below:

The following table sets forth, for the years indicated, the amount spent by the Bank on CSR related activities.

(Amount in ₹ Crore)

Sl. No.	Particulars	March 31, 2023			March 31, 2022		
		Spent during the year	Transferred to separate CSR unspent a/c	Total	Spent during the year	Transferred to separate CSR unspent a/c	Total
1.	Construction / acquisition of any asset	-	-	-	-	-	-
2.	On purpose other than (1) above	30.86*	15.97	46.83*	36.77	3.29	40.06

** Includes ₹ 2.95 Crore spent from unspent CSR account pertaining to ongoing projects of FY22.*

The following table sets forth the summary of amount pertaining to ongoing projects transferred to separate CSR unspent account:

(Amount in ₹ Crore)

Year	Opening Balance in Separate CSR Unspent A/c	Amount required to be spent during the year	Amount spent during the year		Amount transferred to Separate CSR unspent A/c during the year	Closing Balance in Separate CSR Unspent A/c
			From Bank's A/c	From Separate CSR Unspent A/c		
FY 2021-22	-	39.89	36.77	-	3.29	3.29
FY 2022-23	3.29	43.88	27.91	2.95	15.97	16.31

The following table sets forth, for the years indicated, the details of related party transactions pertaining to CSR related activities as per Accounting Standard (AS) 18, Related Party Disclosures.

(Amount in ₹ Crore)

Sl. No.	Related Party	March 31, 2023	March 31, 2022
1	Federal Bank Hormis Memorial Foundation*	27.30	39.26
	Total	**27.30**	**39.26**

**Federal Bank Hormis Memorial Foundation is a trust in which KMPs of the Bank can exercise significant influence and is the implementation agency for Bank's CSR activities / programs / projects.*

SCHEDULE 18: NOTES TO ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)

Fedbank Financial Services Limited

(Amount in ₹ Crore)

Particulars	March 31, 2023	March 31, 2022
Amount required to be spent	1.36	1.14
Amount spent during the year		
(a) Construction / acquisition of asset	-	-
(b) On purpose other than (a) above	1.36	0.68
Excess / (shortfall)	-	(0.46)
Amount required to be contributed to specified fund u/s 135(6)	-	0.46

Note: None of CSR projects undertaken by the Company falls under definition of 'Ongoing-Project'.

Gross amount required to be spent by the Company during the year was ₹ 1.36 Crore (Previous year amount ₹ 1.14 Crore). The Company has spent full amount of ₹1.36 Crore (Previous year amount Spent ₹ 0.68 Crore) towards CSR expenses in accordance with the provisions of The Companies Act, 2013.

1.17 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 Group.

1.18 DISCLOSURE UNDER RULE 11(E) OF THE COMPANIES (AUDIT AND AUDITORS) RULES, 2014

No funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Group to or in any other person(s) or entity (ies), including foreign entities ("Intermediaries") with the understanding, whether recorded in writing or otherwise, that the Intermediary shall lend or invest in party identified by or on behalf of the Group (Ultimate Beneficiaries). The Group has not received any fund from any party(s) (Funding Party) with the understanding that the Group shall whether, directly or indirectly lend or invest in other persons or entities identified by or on behalf of the Group ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

1.19 ADDITIONAL INFORMATION ON NET ASSETS AND SHARE OF PROFITS OF THE BANK, ITS SUBSIDIARIES, ASSOCIATES, AND JOINT VENTURES AS CONSIDERED IN THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2023

Name of the entity	Net Assets i.e. Total Assets minus Total Liabilities		Share of Profit or Loss	
	As % of Consolidated Net Assets	Amount (₹ in Crore)	As % of Consolidated Profit or Loss	Amount (₹ in Crore)
Parent: The Federal Bank Limited	97.21%	21,506.63	94.87%	3,002.59
Subsidiary: Fedbank Financial Services Limited	2.29%	506.25	3.90%	123.29
Federal Operations and Services Limited	0.05%	10.62	0.15%	4.78
Associate: Ageas Federal Life Insurance Company Limited	0.40%	88.30	0.94%	29.73
Equirus Capital Private Limited	0.05%	10.61	0.14%	4.33
Total	**100.00%**	**22,122.41**	**100.00%**	**3,164.72**

SCHEDULE 18: NOTES TO ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)

March 31, 2022

Name of the entity	Net Assets i.e. Total Assets minus Total Liabilities		Share of Profit or Loss	
	As % of Consolidated Net Assets	Amount (₹ in Crore)	As % of Consolidated Profit or Loss	Amount (₹ in Crore)
Parent: The Federal Bank Limited	97.60%	18,793.84	94.53%	1,862.15
Subsidiary: Fedbank Financial Services Limited	1.99%	382.60	3.71%	73.15
Federal Operations and Services Limited	0.03%	6.27	0.18%	3.46
Associate: Ageas Federal Life Insurance Company Limited	0.34%	65.85	1.25%	24.53
Equirus Capital Private Limited	0.04%	6.96	0.33%	6.50
Total	**100.00%**	**19,255.52**	**100.00%**	**1,969.79**

1.20 ADDITIONAL DISCLOSURE

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

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

For and on behalf of the Board of Directors

Manikandan Muthiah
Head - Financial Reporting

Samir P Rajdev
Company Secretary

Shalini Warrier
Executive Director
(DIN: 08257526)

C Balagopal
Chairman
(DIN: 00430938)

Venkatraman Venkateswaran
Chief Financial Officer

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

Vijay Narayan Govind
Partner
Membership No: 203094

Kaushal Muzumdar
Partner
Membership No: 100938

Directors:

A P Hota (DIN: 02593219)
Siddhartha Sengupta (DIN: 08467648)
Manoj Fadnis (DIN: 01087055)
Sudarshan Sen (DIN: 03570051)
Varsha Vasant Purandare (DIN: 05288076)
Sankarshan Basu (DIN: 06466594)
Ramanand Mundkur (DIN: 03498212)

Place: Kochi
Date : May 05, 2023

BASEL III – PILLAR 3 DISCLOSURES AS ON MARCH 31, 2023

SCOPE OF APPLICATION AND CAPITAL ADEQUACY

I. TABLE DF- 1 SCOPE OF APPLICATION

The Basel III capital adequacy norms are applicable to The Federal Bank Limited as the top consolidated entity in the group in line with the Reserve Bank of India (RBI) guidelines on the preparation of consolidated prudential reports.

Qualitative Disclosures

a) List of group entities considered for consolidation

Name of the entity / Country of incorporation	Whether the entity is included under accounting scope of consolidation (yes / no)	Explain the method of consolidation	Whether the entity is included under regulatory scope of consolidation (yes / no)	Explain the method of consolidation	Explain the reasons for difference in the method of consolidation	Explain the reasons if consolidated under only one of the scopes of consolidation
Fedbank Financial Services Limited India	Yes	AS 21	Yes	AS 21	NA	NA
Ageas Federal Life Insurance Company Limited India	Yes	AS 23	No	NA	NA	Ageas Federal is an insurance entity and has been risk weighted for capital adequacy purpose
Equirus Capital Private Limited	Yes	AS 23	Yes	AS 23	NA	NA
Federal Operations and Services Limited	Yes	AS 21	Yes	AS 21	NA	NA

b) List of group entities not considered for consolidation both under the accounting and regulatory scope of consolidation

Name of the entity / Country of incorporation	Principle activity of the entity	Total balance sheet equity (as stated in the accounting balance sheet of the legal entity)	% of bank's holding in the total equity	Regulatory treatment of bank's investments in the capital instruments of the entity	Total balance sheet assets (as stated in the accounting balance sheet of the legal entity)
NIL					

Quantitative Disclosures

c) List of group entities considered for consolidation

(Amount in ₹ Million.)

Name of the entity / country of incorporation (as indicated in (i)a. above)	Principle activity of the entity	Total balance sheet equity (as stated in the accounting balance sheet of the legal entity)	Total balance sheet assets (as stated in the accounting balance sheet of the legal entity)
Fed bank Financial Services Limited India	Marketing of Bank's own products and lending against gold and property.	13,140.24	89,791.38
Equirus Capital Private Limited	The Company is engaged in investment banking. The Company caters to both domestic and international market.	1176.64	1525.68

(Amount in ₹ Million.)

Name of the entity / country of incorporation (as indicated in (i)a. above)	Principle activity of the entity	Total balance sheet equity (as stated in the accounting balance sheet of the legal entity)	Total balance sheet assets (as stated in the accounting balance sheet of the legal entity)
Federal Operations and Services Limited	FedServ will carry out all the operational activities of the Bank including but not limited to accounts service division, payment settlement division, trade finance division, treasury back end section, contact centre operations, IT support etc	206.23	260.73

d) The aggregate amount of capital deficiencies in all subsidiaries which are not included in the regulatory scope of consolidation i.e. that are deducted:

Name of the subsidiaries / country of incorporation	Principle activity of the entity	Total balance sheet equity (as stated in the accounting balance sheet of the legal entity)	% of bank's holding in the total equity	Capital deficiencies
NIL				

e) The aggregate amounts (e.g. current book value) of the bank's total interests in insurance entities, which are risk-weighted:

(Amount in ₹ Million)

Name of the insurance entities / country of incorporation	Principle activity of the entity	Total balance sheet equity (as stated in the accounting balance sheet of the legal entity)	% of bank's holding in the total equity / proportion of voting power	Quantitative impact on regulatory capital of using risk weighting method versus using the full deduction method
Ageas Federal Life Insurance Company Limited India	Insurance	11,211.12	26%	CRAR will be reduced by 0.08% under deduction method

f) Restrictions or impediments on transfer of funds or regulatory capital within the banking group:

There are no restrictions or impediments on transfer of funds or regulatory capital within the banking group.

TABLE DF -2: CAPITAL ADEQUACY

1 Qualitative disclosures

1.1 A summary discussion of the Bank's approach to assess the adequacy of its capital to support current and future activities

1. Policy on Internal Capital Adequacy Assessment Process has been put in place and the assessment of capital commensurate to the risk profile is reviewed on a quarterly basis.
2. Capital requirement for current business levels and estimated future business levels are assessed on a periodic basis.
3. The minimum capital required to be maintained by the Bank (including CCB) for the period ended March 31,2023 is 11.50%. The given minimum capital requirement includes capital conservative buffer of 2.50%. Bank's CRAR is above the regulatory minimum as stipulated in Based III Capital Regulations.

2	**Quantitative disclosures** (Solo Bank)	(Amount in ₹ Million)
2.1	**Capital requirements for Credit risk**	**124877.51**
	Portfolios subject to Standardised approach	124877.51
	Securitisation exposures	0
2.2	**Capital requirements for Market risk** (Standardised duration approach)	**4523.94**
	Interest rate risk	2531.79
	Foreign exchange risk (including gold)	222.75
	Equity risk	1769.40
2.3	**Capital requirements for Operational risk**	**11822.56**
	Basic Indicator Approach	11822.56
	Total Capital Requirements	**141224.01**

2.4	Common Equity Tier 1, Tier 1 & Total Capital Ratios	Standalone	Consolidated
	Common Equity Tier 1 capital ratio	13.02%	13.31%
	Tier 1 capital ratio	13.02%	13.31%
	Total capital ratio	14.81%	15.24%

Structure and organisation of Bank's Risk Management function

Bank has put in place an organisational framework for Bank-wide management of risk on integrated basis. The structure ensures coordinated process for measuring and managing all material risks on an enterprise-wide basis to achieve organisational goals. The structure is designed in tune with the regulatory guidelines.

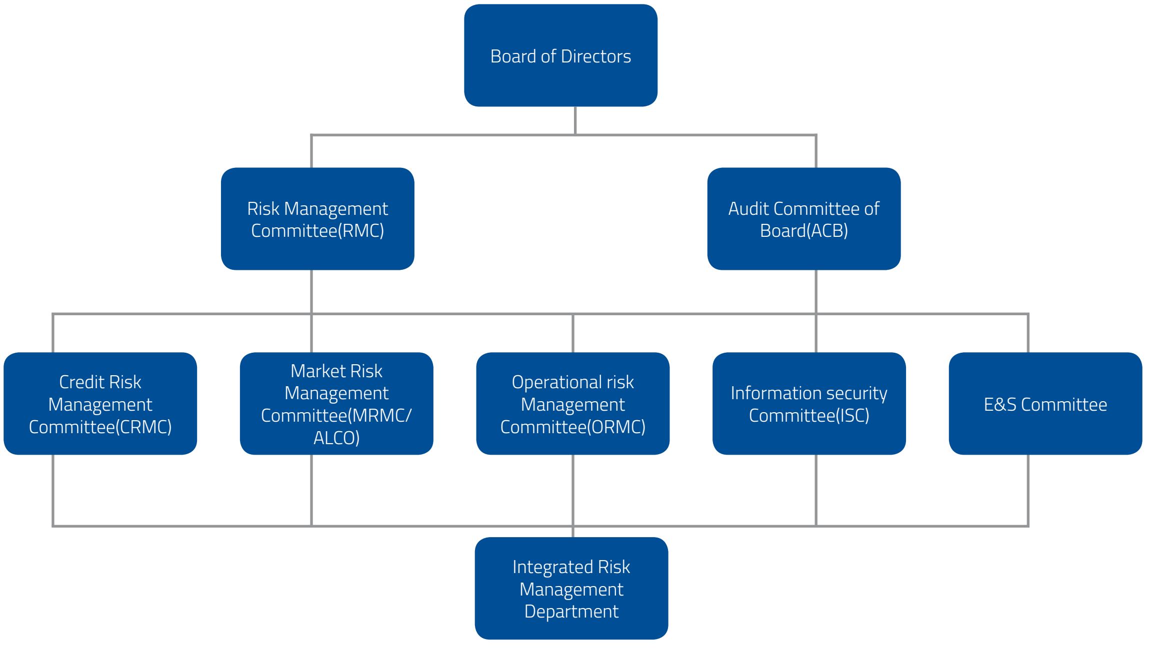
Bank's Board at the top of the structure assumes overall responsibility for Bank-wide management of risk. The Board approves risk management policies of the Bank and sets risk exposure limits based on Bank's risk appetite and risk bearing capacity. Risk Management Committee of the Board assumes responsibility for devising policy and strategy for enterprise-wide risk management. The Committee also sets guidelines for measurement of risks, risk mitigation and control parameters and approves adequate infrastructure for risk management. The Committee meets regularly and reviews the reports placed before it on various risk areas.

There are five support committees of senior executives viz Credit Risk Management Committee (CRMC), Market Risk Management Committee (MRMC also known as ALCO), Operational Risk Management Committee (ORMC), Information Security Committee (ISC) and E&S Committee, responsible for implementation of policies and monitoring of risk levels in their respective domains. The Committees are headed by Managing Director & CEO. Senior executives from respective functional areas and risk management are members of the Committee. The Committees meet regularly to take stock of various facets of risk management function and place their reports to Risk Management Committee of the Board. ALCO meets at least once in a month. Depending on requirement, ALCO meets at shorter frequencies. CRMC and ORMC meet at least once in a quarter subject to minimum of six meetings in a year. ISC and E&S Committee meets at least once in a quarter.

The major risks addressed are Credit Risk, Market Risk, Operational Risk, Residual Credit Risk, Concentration Risk, Interest Rate Risk, Liquidity Risk, Strategic Risk, Reputation Risk, Human Resources Risk, Pension Obligation Risk, IT & Cyber Security Risk, Compliance Risk, Outsourcing Risk, Model Risk, Settlement Risk and E&S Risk. Other material risks identified from time to time are taken care of by one of the above said committees or other functional committees of executives, depending on the nature of risk.

Integrated Risk Management Department is responsible for overall identification, measurement, monitoring and controlling various types of risks faced by the Bank in its operations and compliance of risk management guidelines and policies issued by Regulator / Board. IRMD has three divisions: Credit Risk Division, Market Risk Division and Operational Risk Division. E&S Division is presently attached to Market Risk Division. Division Heads report to the Chief Risk Officer who reports directly to the Managing Director & CEO.

Organisation Structure:



RISK EXPOSURE AND ASSESSMENT

1. Credit risk

Strategies and processes:

The Bank is exposed to credit risk in its lending operations. The Bank's strategies to manage the credit risks are given below:

a) Defined segment exposures delineated into Business Banking, CV/CE, Commercial Banking, Corporate, Retail and Agri advances.

b) Industry wise segment ceilings on aggregate lending in respect of certain industries, ceilings have been fixed for specific geographies with a view to contain Concentration risk.

c) Individual borrower wise and borrower group wise lending ceilings linked as a percentage to the Bank's eligible capital base as at the end of the previous year.

d) Borrowers are subjected to credit rating and loans are granted only to those borrowers falling within defined thresholds of risk levels; the approach also includes diversification of borrowers within defined thresholds of risk levels.

e) Major business of the Bank is within India. However, bank has an IFSC branch located in GIFT City, Gujarat. In respect of cross border trade which would involve exposures to banks and financial institutions located outside India, there is a geographic cap on exposures apart from cap on individual bank / institution. Bank has also fixed ceiling for its foreign currency exposures.

f) Bank has adopted a well-defined approach for sourcing and underwriting loan proposals. Proper due diligence is carried out while sourcing fresh credit limits.

g) Credit sanctioning powers are granted as per Credit Delegation Policy based upon the amount and riskiness of the exposure.

h) Regular review of all credit policies including exposure ceilings are carried out with due approval of Bank's Board of Directors.

i) Credit hub system is put in place to enhance quality of credit appraisal and underwriting process.

j) Specialised Credit Advisory Teams operating at strategic locations to streamline and monitor credit processes within the credit hubs, evaluate and chart action plans to act on EWS, conduct unit visit of stressed account and formulate other measures to maintain standard health classification of credit exposures.

k) Dedicated Credit Monitoring Department at national level and other key geographies to monitor / follow up of performance of loans and advances.

l) Credit Administration Department at central level and at other key geographies are formed to ensure compliance of documentation formalities and submission of post credit monitoring reports / compliance of sanction order covenants.

m) Market Intelligence Unit is formed under IRMD with cross functional team members to facilitate the collection and processing of multiple sources of information on large borrowers with an objective to prevent adverse selection of borrowers and throw up early warning signals of possible fraud or credit risk.

n) Robust statistical score cards are used for retail credit appraisal process.

o) Bank also uses Behavioral / transactional models for monitoring the transaction behavior of loan accounts.

p) Model validation is done on yearly basis to assess the discriminatory power and stability of the models.

q) Bank has laid down appropriate mechanism for ongoing identification, development and assessment of expertise of officials in the area of credit appraisal, underwriting and credit management functions.

r) Internal credit rating of all credit proposals above ₹ 10 Crore is confirmed by Integrated Risk Management Department.

s) Bank has adopted the best ESMS practices to minimise environmental and social risks associated with lending activities.

Structure and organisation of risk management function:

Bank has put in place Board approved comprehensive Credit Risk Management Policy. The policy aims to provide basic framework for implementation of sound credit risk management system in the Bank. It spells out various areas of credit risk, goals to be achieved, current practices and future strategies. Bank has also operationalised required organisational structure and framework as prescribed in the policy for efficient credit risk management through proactive identification, precise measurement, fruitful monitoring and effective control of credit risk arising from its credit and investment operations. Risk Management Committee of the Board oversees Bank wide risk management and senior executive level Credit Risk Management Committee monitors adherence to policy prescriptions and regulatory directions. CRMC of the Bank meets at least once in a quarter (subject to minimum of 6 meetings in a year) to take stock of Bank's credit risk profile based on the reports placed by Credit Risk Division of Integrated Risk Management Department.

Bank has put in place a detailed Loan Policy spelling out various aspects of Credit dispensation and Credit administration. Loan policy stipulates measures for avoiding concentration risk by setting prudential limits and caps on sector wise, rating grade wise, security wise and customer-constitution wise exposure. CRM policy gives specific instructions on valuation of collaterals. Bank has also put in place guidelines on fixing and monitoring of exposure ceilings to contain risk in credit and investment exposures.

Bank has also put in place an 'Environmental and Social Management System (ESMS) Policy' for all lending activities. Adoption of ESMS practices for lending activities strengthens Bank's commitment for the cause of sustainable development as desired by the government, regulators and other stakeholders. ESMS policy enables Bank to minimise environmental and social impacts posed by the lending activities. The policy ensures more focus on funding to the borrowers whose projects are sustainable and environment friendly. This is achieved through meticulous risk categorisation of the borrowers and by ensuring that the funds lent by Bank will be used for purposes / activities which have minimal impact on the environment and the society.

Scope and nature of risk reporting / measurement systems:

Bank has implemented comprehensive risk rating system that serves as a single point indicator of diverse risk factors of counterparty and for taking credit decisions in a consistent manner. Risk rating is made applicable for all loan accounts irrespective of amount, whether funded or non-funded. However, staff loans, loan against liquid securities, pre-approved loans etc are exempted from rating. Bank uses different rating models which are two dimensional, viz obligor rating and facility rating. Risk rating models are drawn up in a structured manner, incorporating different factors such as borrower specific characteristics, industry specific characteristics, financials, securities offered etc.

Bank has specific rating models capable of rating large corporates, traders, SME, Non-Banking Finance Companies (NBFCs), real estate and service sector clients. Retail advances, small value loans and retail agriculture loans are rated using applicable score cards. Transactional / behavioral scorecards have been developed for all major retail portfolios and are used for monitoring the performance of the borrower post onboarding. All rating models are subjected to annual validation by objectively assessing the discriminatory power, stability of ratings and calibration of models are undertaken, if necessitated.

Rating process and rating output are used by the Bank in sanction and pricing of its exposures. All internal credit ratings assigned for credit facilities above ₹ 5 Crore are reviewed on a half yearly basis using a review scorecard and a full- fledged rating review is conducted annually for credit facilities above 2 Crore. Default study/migration study is conducted annually for exposures above ₹ 2 Cr and the internal ratings are benchmarked with the external ratings.

Credit facilities are sanctioned at various levels in accordance with the delegation policy approved by the Board. Bank has generally adopted a committee approach for credit sanction. Credit rating assigned by an official is also subjected to confirmation by another official. Credit audit is being conducted at specified intervals. Credit risk mitigation techniques are resorted to contain the risk at the minimum level

Policies for hedging / mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges/ mitigants:

Bank's Credit Risk Management Policy stipulates various tools for mitigation of credit risk and collateral management. Investment Policy of the Bank covers risk related to investment activities of the Bank and it prescribes prudential limits, methods of risk measurement, and hedges required in mitigation of risk arising in investment portfolio. Risk Management Committee of the Board and executive level Credit Risk Management Committee monitor, discuss, evaluate and review risk mitigation levels and effectiveness of mitigation measures.

Risk rating process by itself is an integral part of the process for selection of clients and sanction of credit facilities. Exercise of delegation for sanction of fresh loans or renewal / review of existing exposure by field level functionaries is permitted only for borrowers above a threshold rating grade. Entry-level restrictions are further tightened in certain sectors where market signals need for extra caution.

2. Market risk

Strategies and processes:

Market risk is monitored through various risk limits set vide Board approved Market Risk Management Policy. Detailed policies like Asset Liability Management Policy, Investment, Forex and Derivatives Policy, Market Risk Management Policy etc. are put in place for the conduct of business exposed to Market risk and also for effective management of all market risk exposures.

The policies and practices also take care of monitoring and controlling of liquidity risk arising out of its banking and trading book operations.

Structure and organisation of risk management function:

Risk Management Committee of the Board oversees bank-wide risk management. Asset Liability Management Committee (ALCO), also known as Market Risk Management Committee, is primarily responsible for establishing Market Risk Management and Asset Liability Management in the Bank. ALCO is responsible for implementing risk management guidelines issued by the regulator, leading risk management practices followed globally and monitoring adherence to the internal parameters, procedures, practices / policies and risk management prudential limits.

Independent Mid office, which forms a part of Market Risk Division of IRMD, is operational in the floor of Bank's Treasury for onsite monitoring of Treasury functions. The Mid Office conducts market risk management functions like onsite monitoring of adherence to set limits, independent valuation and reporting of activities. It also computes capital charge for market risk and VaR of market portfolios on a daily basis. This separate desk monitors market / operational risks in Bank's Treasury/ Forex operations on a daily basis.

Scope and nature of risk reporting / measurement systems:

Bank has put in place regulatory/ internal limits for various products and business activities relating to trading book. Non-SLR investment exposures are subjected to credit rating. Limits for exposures to counterparties, industries and countries are monitored and risks are controlled through Stop Loss Limits, Overnight Limit, Daylight Limit, Aggregate Gap Limit, Individual Gap Limit, Inter-Bank dealing and investment limits etc. Parameters like Modified Duration, VaR etc. are used for Risk management and reporting.

Policies for hedging/ mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges/ mitigants:

Policies for hedging/ mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges/ mitigants are discussed in ALCO and based on the views taken by/ mandates given by ALCO, hedge deals/ mitigation steps are undertaken.

Liquidity risk of the Bank is assessed through Statements of Structural Liquidity, Liquidity Coverage Ratio, Net Stable Funding Ratio and Short-Term Dynamic Liquidity. The liquidity profile of the Bank is measured on static and dynamic basis using the Statements of Structural Liquidity and Short-Term Dynamic Liquidity respectively. Structural liquidity position and Liquidity Coverage Ratio are computed on a daily basis whereas Net Stable Funding ratio and Dynamic liquidity position is assessed on a monthly basis.

Additional prudential limits on liquidity risk fixed as per ALM policy of the Bank are monitored by ALCO on a monthly basis. Interest rate risk is analysed from earnings perspective using Traditional Gap Analysis and Economic value perspective using Duration Gap Analysis on a monthly basis. Based on the analysis, steps are taken to minimise the impact of interest rate changes.

Bank is computing LCR (Liquidity Coverage Ratio) on a daily basis and NSFR (Net stable funding ratio) on a monthly basis. Advanced techniques such as Stress testing, sensitivity analysis etc. are conducted periodically to assess the impact of various contingencies.

3. Operational risk

Strategies and processes:

The Bank is exposed to operational risk in all its activities. Operational risk is primarily managed by prescribing adequate controls and mitigation measures, which are being reviewed and updated on a regular basis, to suit the changes in business practices, organisation structure and risk profile. Business Continuity and Disaster Recovery Plans are established to ensure continuity of critical operations of the Bank and safety of its people. Robust information and cyber security frameworks are established for securing the IT infrastructure and systems of the Bank

Structure and organisation of risk management function:

Bank has put in place a detailed framework for Operational Risk Management with a well-defined ORM Policy. The Risk

Management Committee of the Board oversees Bank-wide operational risk management. Operational Risk Management Committee (ORMC) at the executive level oversees bank wide implementation of Board approved policies and processes in this regard. The operational risk management framework of the Bank also encompasses information and cyber security framework for securing the IT infrastructure and systems. The executive level Information Security Committee (ISC) is responsible for implementation of strategies and policies for protection of all information assets of the Bank. The Information Security Team headed by the Chief Information Security Officer (CISO) formulates and periodically reviews the information and cyber security policies and practices.

Scope and nature of risk reporting / measurement systems:

Bank is collecting operational risk loss data directly from the loss originating points. Bank has established a separate accounting procedure for operational risk events to enhance transparency and to enable effective monitoring of loss events. The operational risk loss data is consolidated, analysed and reported to the Operational Risk Management Committee at least on a quarterly basis.

Bank is conducting RCSAs (Risk and Control Self-Assessments) regularly to assess the level of inherent and residual risks and appropriate controls are introduced, wherever necessary, to reduce the risk levels. The controls are frequently tested based on the level of the underlying risk and if failure exceeds defined thresholds, immediate steps are initiated for remediation/ improvement of the failed control.

Bank is monitoring Key Risk Indicators on a periodical basis for assessing the changes in operational risk profile and triggering reviews and corrective actions, if required.

Policies for hedging / mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges/ mitigants:

A robust control mechanism covering centralised processing, segregation of duties, straight through processing, timely reconciliation, user access controls etc. is in place and periodically reviewed. Wherever deficiencies are found in the processes or improvements are required to the mitigants, measures to remediate the same are taken up by the respective functional owners. Various training and awareness Programmes are conducted to improve awareness among the staff regarding the internal controls and procedures as also the various actions to be taken to avoid or minimise operational risks.

Prior to launching of any new product or process or alteration of any existing product or process, all relevant risks are analysed, and processes and controls established to manage the risks involved.

As information & communication technologies are relied on for delivery of banking services, robust system level controls are put in place to ensure the confidentiality, integrity and availability of information systems in the Bank. There is a Security Operations Centre (SOC) which performs security monitoring round the clock. Bank has also received ISO 27001 accreditation for its critical IT areas.

To evaluate the effectiveness of the business continuity arrangements, periodic drills and tests are conducted. Bank has implemented a Business Continuity Management System in conformance with ISO 22301 standards for its IT, centralised operations and clearing functions.

A preventive vigilance framework is in place, whereby various transactions are monitored by dedicated teams from the angle of fraud risk and AML. Bank is also using insurance for minimising the impact of various operational risk losses and liabilities.

The Internal Audit Department undertakes various audits like RBIA, Revenue Audit, IS Audit, Special Audit, Management Audit etc. to provide an independent assurance on the management of operational risks.

4. Interest rate risk in Banking Book

Strategies and processes:

Interest Rate Risk is assessed in two perspectives – Earnings perspective using Traditional Gap Analysis to assess the impact of adverse movement in interest rate on the Net Interest Income (Earnings at Risk) and Economic value perspective using Duration Gap Analysis to assess the impact of adverse movement in interest rate on the market value of Bank's equity.

Structure and organisation of risk management function:

Risk Management Committee at the Board level and ALCO at the executive level are responsible for effective management of Interest Rate Risk in Bank's business. Board approved ALM Policy governs the Interest rate risk management framework of the

Bank. Market Risk Management Policy takes care of the management of Interest rate risk in the Trading Book of the Bank.

Scope and nature of risk reporting / measurement systems:

Interest rate risk in Banking Book is assessed and Modified Duration of Equity is evaluated on a monthly basis. The likely drop in Market Value of Equity for 200 bps change in interest rates is computed and benchmarked under the Internal Capital Adequacy Assessment Process for computation of Pillar II capital charge for Interest Rate Risk. Earnings at Risk based on Traditional Gap Analysis are calculated on a monthly basis. The results of Duration Gap Analysis as well as that of Traditional Gap Analysis including the adherence to tolerance limit set in this regard is monitored and is placed before ALCO for approval. Stress tests are conducted to assess the impact of interest rate risk under different stress scenarios on earnings of the Bank

Policies for hedging / mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges/ mitigants:

Bank has put in place mitigating / hedging measures prescribed by Investment Forex and derivative Policy, ALM Policy, Market Risk Management Policy. Risk profiles are analysed and mitigating strategies/ hedging process are suggested and operationalised by Treasury Department with the approval of Senior Level Committees.

TABLE DF – 3: CREDIT RISK: GENERAL DISCLOSURES

Qualitative disclosures

Definitions of past due and impaired (for accounting purposes):

1. Non-Performing Assets

   An asset including a leased asset becomes non-performing when it ceases to generate income for the bank. A non-performing asset (NPA) is a loan or an advance where

   a. Interest and/ or installment of principal remain overdue for a period of more than 90 days in respect of a term loan.
   b. The account remains 'Out of order' as indicated in paragraph 2 below, in respect of an Overdraft / Cash Credit (OD/CC).
   c. The bill remains overdue for a period of more than 90 days in case of bills purchased and discounted.
   d. The installment of principal or interest thereon remains overdue for two crop seasons for short duration crops.
   e. The installment of principal or interest thereon remains overdue for one crop season for long duration crops.
   f. The amount of liquidity facility remains outstanding for more than 90 days, in respect of securitisation transaction undertaken in terms of the Reserve Bank of India (Securitisation of Standard Assets) Directions, 2021.
   g. The overdue receivables representing positive mark-to-market value of a derivative contract remaining unpaid for a period of 90 days from the specified due date for payment, in respect of derivative transactions.
   h. The minimum amount due, as mentioned in the statement, is not paid fully within 90 days from the payment due date mentioned in the statement, in respect of credit card.
   i. The accounts with following temporary deficiencies.
      i. Drawings in the working capital account based on drawing power calculated from stock statements older than three months, would be deemed as irregular. Such account will turn NPA if such irregular drawings are permitted in the account for a continuous period of 90 days.
      ii. Regular/ ad hoc credit limits which is not reviewed/ renewed within 180 days from the due date/ date of ad hoc sanction will be treated as NPA.

2. 'Out of Order' status

   A Cash Credit / Overdraft account will be treated as 'Out of Order' if

   a) The outstanding balance in the CC/OD account remains continuously in excess of the sanctioned limit/drawing power for 90 days, or
   b) The outstanding balance in the CC/OD account is less than the sanctioned limit/drawing power but there are no credits continuously for 90 days, or the outstanding balance in the CC/OD account is less than the sanctioned limit/drawing power but credits are not enough to cover the interest debited during the previous 90 days period.

3. <u>'Overdue'</u>

   Any amount due to the bank under any credit facility is 'overdue' if it is not paid on the due date fixed by the bank.

4. <u>Special Mention Accounts</u>

   As prescribed by RBI, the Bank is required to identify incipient stress in the account by creating a Sub Asset category named as 'Special Mention Accounts' (SMA). It is considered as a corrective action plan to arrest slippages of standard assets to NPA. Accordingly, Bank is identifying three sub categories under SMA as below:

SMA Sub-categories	Basis for classification - Principal or interest payment or any other amount wholly or partly overdue between
SMA-0	1 - 30 days
SMA-1	31 - 60 days
SMA-2	61 - 90 days

In the case of revolving credit facilities like cash credit, the SMA sub-categories will be as follows

SMA Sub-categories	Basis for classification – Outstanding balance remains continuously in excess of the sanctioned limit or drawing power, whichever is lower, for a period of:
SMA-1	31- 60 days
SMA-2	61 – 90 days

The above norms pertaining to classifying borrower accounts into SMA categories will be applicable for all loans (including retail loans), other than agricultural advances governed by crop season-based asset classification norms.

Credit Risk

Credit Risk may be defined as

a. Inability or unwillingness of the counterparty to pay interest, repay principal or otherwise to fulfill their contractual obligations under loan agreements or other credit facilities.

b. Downgrading of counterparties whose credit instruments, the Bank may be holding, causing the value of those assets to fall.

c. Settlement Risk (possibility that the Bank may pay counterparty and fail to receive the corresponding settlement in return).

Discussion of the Bank's Credit Risk Management Policy:

Bank has put in place a detailed Credit Risk Management Policy. The goal of this policy is to create a transparent framework for identification, assessment and effective management of credit risk in all operations of the Bank and to secure organisational strength and stability in the long run. The policy aims at contributing to the Bank's profitability by efficient and profitable utilisation of a prudent proportion of the Bank's resources and maintaining a reasonably balanced portfolio of acceptable risk quality through diversification of credit risks. The policy also envisages optimising returns with satisfactory spread over funding cost and overheads.

The policy deals with the structure, framework and processes for effective management of inherent credit risk. Credit Risk Management Policy also provide a framework for identification of stressed sectors in the economy and creating additional provision for exposures to these sectors.

Quantitative disclosures

(Amount in ₹ Million.)

	Fund based exposure*	Non-fund based exposure**	Total
Total gross credit risk exposures (after accounting offsets in accordance with the applicable accounting regime and without taking into account the effects of credit risk mitigation techniques)	2156793.74	176015.54	2332809.28
Geographic distribution of exposures (same basis as adopted for segment reporting adopted for compliance with AS 17)			
Overseas	22850.63	0.00	22850.63
Domestic	2133943.11	176015.54	2309958.65

*Fund based exposures include all type of funded facilities including the un availed limits and inter-bank exposures. However, exposures to Food Credit, RIDF related exposures, deposits to SIDBI, NABARD and NHB for priority sector lending purposes are excluded.

**Non fund based exposures include guarantees, Letters of Credit and Co-Acceptances of bills/ deferred payment guarantees.

INDUSTRY TYPE DISTRIBUTION OF EXPOSURES

(With industry break up on same lines as prescribed for DSB returns)

(Amount in ₹ Million.)

Industry Name	Total Credit Exposure Funded	Total Credit Exposure Non-Funded	Total Credit Exposure (Funded and Non-Funded)	% to Gross Credit Exposure
A. Mining and Quarrying	**5027.40**	**959.06**	**5986.46**	**0.26%**
A.1 Coal	300.35	0.00	300.35	0.01%
A.2 Others	4727.05	959.06	5686.11	0.24%
B. Food Processing	**64080.70**	**1421.82**	**65502.51**	**2.81%**
B.1 Sugar	5361.13	0.00	5361.13	0.23%
B.2 Edible Oils and Vanaspati	3871.89	549.93	4421.81	0.19%
B.3 Tea	4318.88	3.70	4322.58	0.19%
B.4 Coffee	1270.08	2.53	1272.61	0.05%
B.5 Others	49258.72	865.66	50124.38	2.15%
C. Beverages (excluding Tea & Coffee) and Tobacco	**4336.76**	**499.60**	**4836.36**	**0.21%**
C.1 Tobacco and tobacco products	792.48	0.00	792.48	0.03%
C.2 Others	3544.27	499.60	4043.88	0.17%
D. Textiles	**62687.14**	**2359.52**	**65046.66**	**2.79%**
D.1 Cotton	13366.12	380.51	13746.64	0.59%
D.2 Jute	3588.47	0.14	3588.60	0.15%
D.3 Man-made	527.39	71.19	598.57	0.03%
D.4 Others	45205.17	1907.68	47112.85	2.02%
Out of D (i.e., Total Textiles) to Spinning Mills	11919.49	364.41	12283.89	0.53%
E. Leather and Leather products	**1216.90**	**414.35**	**1631.25**	**0.07%**
F. Wood and Wood Products	**6935.84**	**486.37**	**7422.22**	**0.32%**
G. Paper and Paper Products	**7604.20**	**619.50**	**8223.70**	**0.35%**
H. Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels	**26840.10**	**1.92**	**26842.01**	**1.15%**
I. Chemicals and Chemical Products (Dyes, Paints, etc.)	**65265.36**	**3609.05**	**68874.41**	**2.95%**
I.1 Fertilizers	11237.68	1474.78	12712.46	0.54%
I.2 Drugs and Pharmaceuticals	20755.74	317.27	21073.01	0.90%
I.3 Petro-chemicals (excluding under Infrastructure)	354.50	132.63	487.13	0.02%
I.4 Others	32917.44	1684.37	34601.80	1.48%
J. Rubber, Plastic and their Products	**20096.72**	**1042.49**	**21139.21**	**0.91%**
K. Glass, Glassware and other non-metallic mineral products (Except Cement and Cement products)	**1984.91**	**598.35**	**2583.26**	**0.11%**
L. Cement and Cement Products	**8858.44**	**517.32**	**9375.76**	**0.40%**
M. Basic Metal and Metal Products	**37752.39**	**8771.73**	**46524.12**	**1.99%**
M.1 Iron and Steel	23637.37	6266.66	29904.03	1.28%
M.2 Other Metal and Metal Products	14115.02	2505.07	16620.09	0.71%
N. All Engineering	**40845.67**	**9501.68**	**50347.35**	**2.16%**
N.1 Electronics	2641.16	1003.40	3644.56	0.16%
N.2 Others	38204.51	8498.28	46702.79	2.00%

(Amount in ₹ Million.)

Industry Name		Total Credit Exposure Funded	Total Credit Exposure Non-Funded	Total Credit Exposure (Funded and Non-Funded)	% to Gross Credit Exposure
O.	**Vehicles, Vehicle Parts and Transport Equipments**	**30882.03**	**2410.62**	**33292.65**	**1.43%**
P.	**Gems and Jewellery**	**11727.14**	**317.72**	**12044.86**	**0.52%**
Q.	**Construction**	**15975.37**	**13901.30**	**29876.67**	**1.28%**
R.	**Infrastructure (Pertaining to Industries Sector Only)**	**140897.73**	**36928.48**	**177826.21**	**7.62%***
	R1. Transport and adjoining Infrastructure	12687.55	1688.48	14376.03	0.62%
	R2. Energy	64187.03	11527.25	75714.28	3.25%
	R3. Water and Sanitation	34.58	47.49	82.07	0.00%
	R4. Communication	793.30	251.24	1044.54	0.04%
	R5. Social and Commercial Infrastructure	7926.11	1680.61	9606.72	0.41%
	R6. Others, if any, please specify	55269.15	21733.42	77002.58	3.30%
S.	**Other Industries, pl. specify**	**16070.10**	**660.79**	**16730.89**	**0.72%**
	1. Industry (A to S)	**569084.88**	**85021.67**	**654106.55**	**28.04%**
	2. Agriculture and Allied Activities	**241251.97**	**87.47**	**241339.44**	**10.35%**
	3. Services	**702077.33**	**90906.40**	**792983.73**	**33.99%**
	4. Retail Loans	**575543.17**	**0.00**	**575543.17**	**24.67%**
	Interbank exposure	**45985.76**	**0.00**	**45985.76**	**1.97%**
	Overseas	**22850.63**	**0.00**	**22850.63**	**0.98%**
Total Exposure (1 to 6)		**2156793.74**	**176015.54**	**2332809.28**	**100.00%**

* Total exposure exceeds 5% of gross credit exposure

RESIDUAL CONTRACTUAL MATURITY BREAKDOWN OF ASSETS (maturity bands as used in ALM returns are used)

(Amount in ₹ Million.)

	Cash	Balances with RBI	Balances with other banks	Investments	Advances	Fixed assets	Other assets	Total
Day 1	26705.06	6698.88	11045.95	92565.57	25501.88	0.00	7822.46	170339.80
2 – 7 days	0.00	963.83	39903.98	3757.73	14828.88	0.00	4889.42	64343.84
8-14 days	0.00	1140.26	0.00	4933.40	11455.92	0.00	0.15	17529.74
15-30 days	0.00	3073.24	0.00	12009.64	26616.37	0.00	486.15	42185.40
31 days & up to 2 months	0.00	3373.25	0.00	10427.09	65238.25	0.00	5.67	79044.26
Over 2 months & up to 3 months	0.00	2493.71	0.00	4326.20	60421.18	0.00	473.06	67714.15
Over 3 months & up to 6 months	0.00	8054.47	0.00	8556.34	175198.80	0.00	4545.89	196355.51
Over 6 months & up to 1 year	0.00	16077.56	0.00	18152.46	174870.76	0.00	30538.05	239638.83
Over 1 year & up to 3 years	0.00	53825.39	28.41	75542.97	803655.04	0.00	66470.03	999521.85
Over 3 years & up to 5 years	0.00	2136.02	0.00	111043.51	189510.52	0.00	20795.26	323485.31
Over 5 years & upto 7 years	0.00	902.82	0.00	89058.98	105254.85	0.00	44037.32	239253.97
Over 7 years & up to 10 years	0.00	458.22	0.00	45364.12	58023.29	0.00	203.50	104049.13
Over 10 year & up to 15 years	0.00	5.01	0.00	17.96	27633.73	0.00	21.01	27677.71
Over 15 years	0.00	0.74	0.00	14077.49	6259.37	9339.74	2601.46	32278.80
Total	**26705.06**	**99203.41**	**50978.34**	**489833.47**	**1744468.85**	**9339.74**	**182889.43**	**2603418.29**

ASSET QUALITY

Advances

(Amount in ₹ Million.)

Amount of Non-Performing Assets (Gross)	41,837.69
Substandard	10,170.69
Doubtful 1	9,676.77
Doubtful 2	10,271.93
Doubtful 3	7,265.40
Loss	4,452.89
Net NPA	12,050.10
NPA ratios	
Gross NPAs to gross advances (%)	2.36%
Net NPAs to net advances (%)	0.69%
Movement of NPAs (Gross)	
Opening balance (balance as at the end of previous Fiscal)	41,367.44
Additions during the period*	17,191.28
Reductions*	16,721.04
Closing balance	41,837.69

*Including stressed asset sold to ARC

Movement of provisions

(Amount in ₹ Million.)

	Specific Provision	General Provision
Opening balance (balance as at the end of previous Fiscal)	26,419.43	691.80
Provisions made during the period	12,013.54	-
Write Off	3,750.24	-
Write back of excess provisions	5,997.89	-
Any other adjustments, including transfers between provisions	80.20	-
Closing balance	28,604.64	691.80

Details of write offs and recoveries that have been booked directly to the income statement

(Amount in ₹ Million.)

Write offs that have been booked directly to the income statement	1,402.81
Recoveries that have been booked directly to the income statement	1,888.33

Investments

(Amount in ₹ Million.)

Amount of Non-Performing Investments (Gross)	782.53
Amount of provisions held for Non-Performing Investments	778.63
Movement of provisions for depreciation on investments	
Opening balance (balance as at the end of previous Fiscal)	4,073.62
Provisions made during the period	1,051.96
Write-off	(246.04)
Write-back of excess provisions	(292.74)
Closing balance	4,586.80

Major Industry breakup of NPA

(Amount in ₹ Million.)

Industry	Gross NPA	Specific Provision
NPA in Top 5 industries	6699.59	5496.64

Geography wise Distribution of NPA and Provision

(Amount in ₹ Million.)

Geography	Gross NPA	Specific Provision	General Provision
Domestic	39,783.44	26,550.39	691.80
Overseas	2,054.25	2,054.25	-
Total	41,837.69	28,604.64	691.80

TABLE DF – 4: DISCLOSURES FOR PORTFOLIOS SUBJECT TO THE STANDARDISED APPROACH

1. Qualitative disclosures

For portfolios under the Standardised Approach:

Names of credit rating agencies used, plus reasons for any changes:

Bank has approved all the six External Credit Rating Agencies accredited by RBI for the purpose of credit risk rating of domestic borrower accounts that forms the basis for determining risk weights under Standardised Approach.

External Credit Rating Agencies approved are:

1. CRISIL Ratings Limited
2. CARE
3. India Ratings and Research Private Limited (Formerly FITCH INDIA)
4. ICRA
5. Acuite Rating & Research (Formerly SMERA Ratings Limited)
6. INFOMERICS Valuation and Rating Private. Limited (INFOMERICS)

Bank is also using the ratings of the following international credit rating agencies for assigning risk weights to claims for capital adequacy purposes where the exposure can be specified as international exposure:

1. Fitch;
2. Moody's and
3. Standard & Poor's

With respect to external credit rating, Bank is using long term ratings for risk weighting all long-term claims and unrated short-term claims on the same counterparty. However, short term rating of a counterparty is used only to assign risk weight to all short-term claims of the obligor and not to risk weight unrated long-term claims on the same counterparty.

Types of exposure for which each agency is used:

1. Rating by the agencies is used for both funds based and non-fund-based exposures.
2. Short Term Rating given by the agencies is used for exposure with contractual maturity of less than or equal to one year (except Cash Credit, Overdrafts and other Revolving Credits).
3. Long Term Rating given by the agencies is used for exposures with contractual maturity of above one year and also for Cash Credit, Overdrafts and other Revolving Credits.
4. Rating assigned to one particular entity within a corporate group is not used to risk weight other entities within the same group.

The rating reviewed, at least once during past 15 months will only be considered for risk weighting purposes.

Description of the process used to transfer public issue ratings into comparable assets in the Banking Book:

The ratings available in public domain are mapped according to mapping process as envisaged in RBI guidelines on the subject.

Issue Specific Ratings (Bank's own exposures or other issuance of debt by the same borrower constituent/ counterparty) or Issuer Ratings (borrower constituent/ counterparty) are applied to unrated exposures of the same borrower constituent/ counterparty subject to the following:

1. Issue specific ratings are used where the unrated claim of the Bank ranks paripassu or senior to the rated issue / debt.
2. Wherever issuer rating or issue specific ratings are used to risk weight unrated claims, such ratings are extended to entire amount of claim on the same counterparty.
3. Ratings used for risk weighting purposes are confirmed from the websites of the rating agencies concerned. The name of the lender and the credit facility shall be published by the rating agency.

2.	Quantitative disclosures		
	Risk weight wise details of exposures (rated and unrated) after risk mitigation subject to the Standardised Approach (Credit equivalent amount of all exposures subjected to Standardised Approach, after risk mitigation)	**Risk Weight**	(Amount in ₹ Million.)
		Below 100 %	1598186.81
		100 %	656971.08
		More than 100 %	173283.70
		Deducted*	7005.02
		Total	**2428441.59**

*Investment in subsidiary

TABLE DF – 5: CREDIT RISK MITIGATION: DISCLOSURES FOR STANDARDISED APPROACHES

1. Qualitative disclosures

Disclosures on credit risk mitigation methodology adopted by the Bank that are recognised under the Standardised Approach for reducing capital requirements for credit risk

1.1 Policies and processes for, and an indication of the extent to which the bank makes use of, on- and off-balance sheet netting

Bank has no practice of on-balance sheet netting for credit risk mitigation. Eligible collaterals taken for the exposures are separately earmarked and the exposures are expressed without netting.

1.2 Policies and processes for collateral valuation and management

Bank has put in place Board approved policy on Credit Risk Management in which Collateral Management and credit risk mitigation techniques used by the Bank for both Risk management and capital computation purposes are separately included. The Loan policy of the Bank covers various aspects of valuation of collaterals.

1.3 Description of the main types of collateral taken by the Bank

Collaterals used by Bank as risk mitigants for capital computation under Standardised Approach comprise eligible financial collaterals namely:

1. Cash margin and fixed deposits of the counterparty with the Bank.
2. Gold jewel of purity 91.6% and above, the value of which is notionally converted to value of gold with 99.99% purity.
3. Securities issued by Central and State Governments.
4. Kisan Vikas Patra and National Savings Certificates.
5. Life Insurance Policies with a declared surrender value of an Insurance company regulated by the insurance sector regulator.
6. Debt securities rated by a chosen Credit Rating Agency in respect of which the Bank is sufficiently confident of market liquidity of the security and where these securities are either:
    a. Attracting 100% or lesser risk weight i.e. rated at least BBB (-) when issued by Public sector entities and other entities including banks and Primary Dealers or
    b. Attracting 100% or lesser risk weight i.e. rated at least A3 for short term debt instruments
7. Debt securities not rated by a chosen Credit Rating Agency in respect of which the bank is sufficiently confident of market liquidity of the security and where these securities are:
    a. Issued by the bank
    b. Listed on a recognised exchange
    c. Classified as senior debt
    d. All rated issues of the same seniority by the issuing Bank are rated at least BBB (-) or A3 by a chosen Credit Rating Agency
    e. The bank has no information to suggest that the issue justifies a rating below BBB (-) or A3 by a chosen Credit Rating Agency
    f. Bank is sufficiently confident about the market liquidity of the security.
8. Units of Mutual Funds regulated by the securities regulator of the jurisdiction of the Bank's operation and mutual funds where
    a. A price for the units is publicly quoted daily i.e. where the daily NAV is available in public domain
    b. Mutual fund is limited to investing in the permitted instruments listed.

Bank has no practice of monitoring / controlling exposures on a net basis, though Bank is able to determine at any time loans/ advances and deposits of the same counterparty. Netting benefit, even if available, is not utilised in capital computation under Basel III norms.

1.4 Main types of guarantor counterparty and their creditworthiness

Bank considers guarantees, which are direct, explicit, irrevocable and unconditional for Credit risk mitigation. Use of such guarantees for capital computation is strictly as per RBI guidelines on the subject.

Main types of guarantor counterparties are

a. Sovereigns (Central / State Governments)

b. Sovereign entities like ECGC, CGFTSI, individual schemes under NCGTC which are backed by explicit Central Government Guarantee.

c. Banks and Primary Dealers with a lower risk weight than the counter party

Other entities that are externally rated except when credit protection is provided to a securitisation exposure. This would include guarantee cover provided by parent, subsidiary and affiliate companies when they have lower risk weight than the obligor. The rating of the guarantor should be an entity rating which has factored in all the liabilities and commitments (including guarantees) of the entity.

1.5 Information on market / credit risk concentrations within the mitigation taken by the Bank

Majority of financial collaterals held by the Bank are by way of own Deposits, Government Securities, Gold, Life Insurance Policies and other approved securities like NSC, KVP etc. Bank does not envisage market liquidity risk in respect of financial collaterals except in Gold and Units of Mutual Funds since sufficient margin is always kept. Bank does not have concentration in exposure collateralised through units of eligible Mutual Funds. With respect to gold loans, each and every exposure is reviewed/ renewed/ closed within a maximum period of 12 months. Bank could successfully manage the risks posed by sudden reduction in gold price in the past on account of maintaining RBI stipulated LTV and close monitoring if the accounts. Measures warranted during each situation were timely taken.

Bank has not experienced any significant Market liquidity risk in Gold. Overall, financial collaterals do not have any issue in realisation.

Concentration on account of collateral is also relevant in the case of Land & building. Except in the case of Housing loan to individuals and loans against property, land and building is considered only as an additional security. As land and building is not recognised as eligible collateral under Standardised Approach, its value is not reduced from the amount of exposure in the process of computation of capital charge. It is used only in the case of Housing loan to individuals and non-performing assets to determine the appropriate risk weight. As such, there is no concentration risk on account of nature of collaterals.

2. Quantitative Disclosures

2.1 Credit risk exposure covered by eligible financial collaterals

(Amount in ₹ Million.)

	Type of exposure	Credit equivalent of gross exposure	Value of eligible financial collateral after haircuts	Net amount of credit exposure
A	Funded Credit Exposure	296459.75	269218.56	27241.18
B	Non funded Credit exposure	55996.51	32093.51	23903.00
C	Securitisation exposures – On balance sheet	-	-	-
D	Securitisation exposures – Off balance sheet	-	-	-
	TOTAL	**352456.25**	**301312.07**	**51144.18**

2.2 Credit risk exposure covered by guarantees

(Amount in ₹ Million.)

	Type of exposure	Credit equivalent of gross exposure	Amount of guarantee (Credit equivalent)
A	Funded Credit Exposure	540649.15	37233.15
B	Non funded Credit exposure	557.53	274.93
C	Securitisation exposures – on balance sheet	-	-
D	Securitisation exposures – off balance sheet	-	-
	TOTAL	**541206.68**	**37508.08**

TABLE DF – 6: SECURITISATION: DISCLOSURES FOR STANDARDISED APPROACH

1.	**Qualitative disclosures**
1.1	**General disclosures on securitisation exposures of the Bank**
A	Objectives of securitisation activities of the Bank (including the extent to which these activities transfer credit risk of the underlying securitised exposures away from the Bank to other entities and nature of other risks inherent in securitised assets)
	Bank's securitisation exposure is limited to investments in securitisation instruments (Pass Through Certificates) and purchase of asset portfolio by way of Direct assignment route. The bank invests/ purchase securitised assets with the objective of book building and yield optimisation.
B	Role of Bank in securitisation processes (originator / investor/ service provider/ facility provider etc.) and extent of involvement in each activity.
	As an Investor: The Bank invests in Pass Through Certificates backed by financial assets originated by third parties. Such investments are held in its Trading book. As an Assignee: The Bank also purchases Asset portfolio by way of Direct assignment from Banks / NBFCs.
C	Processes in place to monitor changes in the credit and market risk of securitisation exposures
	The major risks involved in Loan assignment transactions are: **Credit Risk:** The risk of default on a debt that may arise from an obligor failing to make required payments. **Co-mingling risks:** Risks arising on account of co-mingling of funds belonging to the assignee with that of originator. This occurs when there is a time lag between collection of loan instalments by the originator and remittance to the assignee. **Regulatory and legal risks:** Risks arising due to non-compliance of regulatory requirements resulting in keeping higher risk weight/ capital charge for assignment transactions. Risk of non-compliance of regulatory rules. **Prepayment risk:** Prepayment risk arises on account of prepayment of dues by obligors in the assigned pool either in part or full. Bank is constantly monitoring the changes in Credit and Market risk profile of securitisation instruments held in the Trading book and Banking book. In case of portfolio purchased through Assignment route, monitoring is done on an individual account level.
D	Bank's policy governing the use of credit risk mitigation to mitigate the risks retained through securitisation exposures
	The Bank has not originated any securitisation exposures. In the case of purchase by way of Direct assignment route, Bank has not used any Credit risk mitigants.
1.2	**Accounting policies for securitisation activities**
A	Treatment of transaction (whether as sales or financings)
	NA
B	Methods and key assumptions (including inputs) applied in valuing positions retained or purchased
	Income from investments in Pass Through Certificates is recognised on accrual basis. Income recognition is subjected to prudential norms stipulated by Reserve Bank of India in this regard. The loans purchased through Direct assignment route are classified as advances. The loans purchased will be carried at acquisition cost.
C	Changes in methods and key assumptions from the previous period and impact of the changes
	No change is effected in methods and key assumptions used for valuation of investment in securitised instruments (Pass Through Certificates).
D	Policies for recognising liabilities on the balance sheet for arrangements that could require the bank to provide financial support for securitised assets.
	Bank has not entered into any arrangement to provide financial support for securitised assets.
1.3	**In the Banking Book, names of ECAIs used for securitisations and the types of securitisation exposures for which each agency is used.**
	For computation of Capital requirements for loans purchased by way of Direct assignment, Bank has used the Credit rating issued by eligible ECAIs.

2. Quantitative disclosures (Amount in ₹ Million)

2.1 In the Banking Book

A	Total amount of exposures securitised by the Bank	Nil
B	For exposures securitised, losses recognised by the Bank during the current period (exposure type wise break up)	Nil
C	Amount of assets intended to be securitised within a year	Nil
D	Of (C) above, amount of assets originated within a year before securitisation	Nil

E Securitisation exposures (by exposure type) and unrecognised gain or losses on sale thereon

Type of exposure	Amount securitised	Unrecognised gain / loss
Nil	Nil	Nil

F Aggregate amount of on-balance sheet securitisation exposures retained or purchased by the Bank (exposure type wise breakup) (Direct assignment of Cash flows)

Housing	4292.46
Loan against property	6626.66
Mixed Assets*	535.28
Agri / Allied activities	222.04
Total	**11676.4**

G Aggregate amount of off-balance sheet securitisation exposures (exposure type wise breakup) — NIL

H Aggregate amount of securitisation exposures retained or purchased and associated capital charges (Direct assignment of Cash flows)

Risk Weight Bands	Exposure Type	Exposure	Capital Charge
Less than 100%	Housing Loans	4280.83	189.446
	Mixed Assets*	535.576	36.1514
	Loan against property	-	-
	Agri / Allied activities	-	-
At 100%	Agri / Allied activities	159.303	14.3373
	Loan against property	6626.66	596.399
	Housing Loans	11.632	1.04688
More than 100%	Agri / Allied activities	62.7382	8.46966
	Mixed Assets*	-	-

*includes Commercial Vehicle Loans, Personal loan and Micro &Small Business Loans

I	Total amount of deductions from capital on account of securitisation exposures	Nil
	Deducted entirely from Tier I capital-underlying exposure type wise break up	Nil
	Credit enhancing interest only strips (I/O) deducted from total capital – underlying exposure type wise break up	Nil
	Other exposures deducted from total capital – underlying exposure type wise break up	Nil

2.2 In the Trading Book

A Aggregate amount of exposures securitised by the Bank for which the Bank has retained some exposures, which is subject to Market Risk approach (exposure type wise details)

Type of exposure	Gross Amount	Amount retained
NIL	NIL	NIL

B	Aggregate amount of on-balance sheet securitisation exposures retained or purchased by the Bank (exposure type wise breakup)	
	Type of exposure	(Amount in ₹ Million.)
	Investment in Pass through Certificates	25761.61
C	Aggregate amount of off-balance sheet securitisation exposures (exposure type wise breakup)	NIL
D	Securitisation exposures retained / purchased subject to Comprehensive Risk Measure for specific risk	-

E Securitisation exposures retained / purchased subject to specific risk capital charge (risk weight band wise distribution)

Type of Exposure	Capital charge as % to exposure	Exposure (Amount in ₹ Million.)
Investment in Pass through Certificates	4.13%	25825.37

F Aggregate amount of capital requirements for securitisation exposures (risk weight band wise distribution)

Type of exposure	Capital charge as % to exposure	Capital charge (Amount in ₹ Million.)
Investment in Pass through Certificates	4.13%	1066.60

G	Total amount of deductions from capital on account of securitisation exposures	NIL
	Deducted entirely from Tier I capital – underlying exposure type wise break up	NIL
	Credit enhancing interest only strips (I/Os) deducted from total capital – underlying exposure type wise break up	NIL
	Other exposures deducted from total capital – underlying exposure type wise break up	NIL

TABLE DF – 7: MARKET RISK IN TRADING BOOK

1. Qualitative disclosures

1.1 Approach used for computation of capital charge for market risk

Bank has adopted Standardised Duration Approach as prescribed by RBI for computation of capital charge for general market risk and is fully compliant with such RBI guidelines. Bank uses VaR as an indicative tool for measuring Forex risk and Equity Price risk. Standardised Duration Approach is applied for computation of General Market Risk for

- Securities under HFT category
- Securities under AFS category
- Open gold position limits
- Open foreign exchange position limits
- Trading positions in derivatives
- Derivatives entered into for hedging trading book exposures

Specific capital charge for market risk is computed based on risk weights prescribed by the Regulator.

1.2 Portfolios covered in the process of computation of capital charge

Investment portfolio under AFS and HFT, Gold and Forex open positions and Derivatives entered for trading and hedging.

(Amount in ₹ Million.)

2.	**Quantitative disclosures**	
2.1	**Minimum capital requirements for market risk as per Standardised Duration Approach**	
	Interest rate risk	2531.80
	Foreign exchange risk (including gold)	222.75
	Equity position risk	1769.40

TABLE DF – 8: OPERATIONAL RISK

1.	**Qualitative disclosures**
1.1	**Approach used for computation of capital charge for operational risk (and for which the Bank is qualified)**
	Bank is following the Basic Indicator Approach for computation of capital charge for operational risk.

TABLE DF – 9: INTEREST RATE RISK IN BANKING BOOK (IRRBB)

1. Qualitative disclosures

The impact of adverse movements in interest rates on financials is referred to as interest rate risk. For banking book, interest rate risk arises through mismatches in re-pricing of interest rate sensitive assets (RSA), rate sensitive liabilities (RSL) and rate sensitive off-balance sheet items. As interest rate risk can impact both Net Interest Income (NII) and Economic value of capital, it is assessed and managed from both earnings and economic value perspective.

a) **Earnings perspective:** Analyses the impact on Bank's Net Interest Income (NII) in the short term through traditional gap analysis.

b) **Economic perspective:** Analyses the impact on the Net-worth of bank due to re-pricing of assets, liabilities and off-balance sheet items through duration gap analysis.

The Bank classifies an asset/liability as rate sensitive if:

- Within the time interval under consideration, there is a cash flow
- The interest rate resets / reprices contractually during the interval
- RBI changes the interest rates in cases where interest rates are administered.

Rate sensitive assets and liabilities are grouped under various time buckets prescribed by RBI for interest rate sensitivity statement and bucket wise modified duration is computed using the suggested common maturity, coupon and yield parameters.

Non-rate sensitive liabilities and assets primarily comprise of capital, reserves and surplus, other liabilities, cash and balances with RBI, current account balances with banks, fixed assets and other assets.

IRRBB is assessed on a monthly basis and monitored by ALCO, both under earnings and economic value perspectives.

Amount in ₹ Million

2	**Quantitative disclosures - Impact of interest rate risk**		
		Total Book	Banking Book
2.1	**Earnings perspective (Traditional Gap Analysis)**		
	Earnings at Risk (EaR) – impact for one year due to Uniform 1% increase/ decrease in interest rate	2610.46	2458.56
	Economic value perspective – percentage and quantum of decrease in market value of equity on account of 1% uniform increase/decrease in interest rate	8803.41	7175.53

(Currency wise break up not provided as the turnover in other currencies is less than 5% of total turnover)

TABLE DF – 10: GENERAL DISCLOSURE FOR EXPOSURE RELATED TO COUNTERPARTY CREDIT RISK

Qualitative disclosures

Bank has put in place Counterparty Credit Risk limits for banks as counterparty, based on internal rating of the counterparty bank and with the approval of the Board. Counterparty exposures for other entities are subject to comprehensive exposure ceilings fixed by the Board. Capital for Counterparty Credit Risk is assessed based on the Standardised Approach.

Quantitative disclosures

The Bank does not recognise bilateral netting. The credit equivalent amounts of derivatives that are subjected to risk weighting are calculated as per the Current Exposure Method. The balance outstanding and the current exposure thereof are as follows:

(Amount in ₹ Million.)

Particulars	Notional Amounts	Current Exposure
Foreign exchange contracts	520724.56	22442.40
Interest rate derivative contracts	110800.00	1090.83
Total	**631524.56**	**23533.24**

TABLE DF-11: COMPOSITION OF CAPITAL

(Amount in ₹ Million.)

	Basel III common disclosure template		Ref No
	Common Equity Tier 1 capital: instruments and reserves		
1	Directly issued qualifying common share capital plus related stock surplus (share premium)	67589.24	a+d-m2
2	Retained earnings	54630.90	l+m-m1
3	Accumulated other comprehensive income (and other reserves)	94014.58	b+c+e+f+i+j+k+di
4	Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)	0.00	
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	0.00	
6	Common Equity Tier 1 capital: before regulatory adjustments	216234.72	
	Common Equity Tier 1 capital: regulatory adjustments		
7	Prudential valuation adjustments	0.00	
8	Goodwill (net of related tax liability)	150.18	x1
9	Intangibles other than mortgage-servicing rights (net of related tax liability)	31.61	r+p
10	Deferred tax assets	0.00	
11	Cash-flow hedge reserve	0.00	
12	Shortfall of provisions to expected losses	0.00	
13	Securitisation gain on sale	0.00	
14	Gains and losses due to changes in own credit risk on fair valued liabilities	1842.67	
15	Defined-benefit pension fund net assets	0.00	
16	Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	0.00	
17	Reciprocal cross-holdings in common equity	0.00	
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	0.00	
19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	0.00	
20	Mortgage servicing rights (amount above 10% threshold)	0.00	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	0.00	
22	Amount exceeding the 15% threshold	0.00	
23	of which: significant investments in the common stock of financial entities	-	
24	of which: mortgage servicing rights	0.00	
25	of which: deferred tax assets arising from temporary differences	0.00	
26	National specific regulatory adjustments (26a+26b+26c+26d)	0.00	

26 a	of which: Investments in the equity capital of the unconsolidated insurance subsidiaries	0.00	
26 b	of which: Investments in the equity capital of unconsolidated non-financial subsidiaries	0.00	
26 c	of which: Shortfall in the equity capital of majority owned financial entities which have not been consolidated with the bank	0.00	
26 d	of which: Unamortised pension funds expenditures	0.00	
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	0.00	
28	Total regulatory adjustments to Common equity Tier 1	2024.46	
29	Common Equity Tier 1 capital (CET1)	**214210.26**	
Additional Tier 1 capital: instruments			
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus (share premium) (31+32)	0.00	
31	of which: classified as equity under applicable accounting standards (Perpetual Non-Cumulative Preference Shares)	0.00	
32	of which: classified as liabilities under applicable accounting standards (Perpetual debt Instruments)	0.00	
33	Directly issued capital instruments subject to phase out from Additional Tier 1	0.00	
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	0.00	
35	of which: instruments issued by subsidiaries subject to phase out	0.00	
36	Additional Tier 1 capital before regulatory adjustments	0.00	
Additional Tier 1 capital: regulatory adjustments			
37	Investments in own Additional Tier 1 instruments	0.00	
38	Reciprocal cross-holdings in Additional Tier 1 instruments	0.00	
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	0.00	
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	0.00	
41	National specific regulatory adjustments (41a+41b)	0.00	
41 a	of which: Investments in the Additional Tier 1 capital of unconsolidated insurance subsidiaries	0.00	
41 b	of which: Shortfall in the Additional Tier 1 capital of majority owned financial entities which have not been consolidated with the bank	0.00	
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	0.00	
43	**Total regulatory adjustments to Additional Tier 1 capital**	0.00	
44	**Additional Tier 1 capital (AT1)**	0.00	
45	**Tier 1 capital (T1 = CET1 + AT1) (29 + 44)**	**214210.26**	
Tier 2 capital: instruments and provisions			
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	19950.00	n
47	Directly issued capital instruments subject to phase out from Tier 2	0.00	
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	0.00	
49	of which: instruments issued by subsidiaries subject to phase out	0.00	
50	Provisions	11633.54	ci+h+o+g
51	**Tier 2 capital before regulatory adjustments**	**31583.54**	

Tier 2 capital: regulatory adjustments			
52	Investments in own Tier 2 instruments	0.00	
53	Reciprocal cross-holdings in Tier 2 instruments	391.79	
54	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)	0.00	
55	Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	0.00	
56	National specific regulatory adjustments (56a+56b)	0.00	
56 a	of which: Investments in the Tier 2 capital of unconsolidated insurance subsidiaries	0.00	
56 b	of which: Shortfall in the Tier 2 capital of majority owned financial entities which have not been consolidated with the bank	0.00	
57	Total regulatory adjustments to Tier 2 capital	391.79	
58	**Tier 2 capital (T2)**	31191.75	
59	**Total capital (TC = T1 + T2) (45 + 58)**	**245402.01**	
60	**Total risk weighted assets (60a + 60b + 60c)**	**1609839.13**	
60 a	of which: total credit risk weighted assets	1428211.31	
60 b	of which: total market risk weighted assets	50266.08	
60 c	of which: total operational risk weighted assets	131361.75	
Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	13.31%	
62	Tier 1 (as a percentage of risk weighted assets)	13.31%	
63	Total capital (as a percentage of risk weighted assets)	15.24%	
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation plus countercyclical buffer requirements plus G-SIB buffer requirement, expressed as a percentage of risk weighted assets)	0.00%	
65	of which: capital conservation buffer requirement	2.50%	
66	of which: bank specific countercyclical buffer requirement	0.00%	
67	of which: G-SIB buffer requirement	0.00%	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	7.81%	
National minima (if different from Basel III)			
69	National Common Equity Tier 1 minimum ratio (if different from Basel III minimum)	5.50%	
70	National Tier 1 minimum ratio (if different from Basel III minimum)	7.00%	
71	National total capital minimum ratio (if different from Basel III minimum)	9.00%	
Amounts below the thresholds for deduction (before risk weighting)			
72	Non-significant investments in the capital of other financial entities	7104.93	
73	Significant investments in the common stock of financial entities	7005.02	
74	Mortgage servicing rights (net of related tax liability)	0.00	
75	Deferred tax assets arising from temporary differences (net of related tax liability)	0.00	
Applicable caps on the inclusion of provisions in Tier 2			
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	9704.11	
77	Cap on inclusion of provisions in Tier 2 under standardised approach	17852.64	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	NA	
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	NA	

Capital instruments subject to phase-out arrangements (only applicable between March 31, 2017 and March 31, 2022)			
80	Current cap on CET1 instruments subject to phase out arrangements	NA	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	NA	
82	Current cap on AT1 instruments subject to phase out arrangements	NA	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	NA	
84	Current cap on T2 instruments subject to phase out arrangements	NA	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	NA	

Note to the Template

Row No. of the template	Particular	(Amount in ₹ Million.)
10	Deferred tax assets associated with accumulated losses	0.00
	Deferred tax assets (excluding those associated with accumulated losses) net of Deferred tax liability	1196.14
	Total as indicated in row 10	1196.14
19	If investments in insurance subsidiaries are not deducted fully from capital and instead considered under 10% threshold for deduction, the resultant increase in the capital of bank	2080.00
	of which: Increase in Common Equity Tier 1 capital	2080.00
	of which: Increase in Additional Tier 1 capital	0.00
	of which: Increase in Tier 2 capital	0.00
26 b	If investments in the equity capital of unconsolidated non-financial subsidiaries are not deducted and hence, risk weighted then:	0.00
	(i) Increase in Common Equity Tier 1 capital	0.00
	(ii) Increase in risk weighted assets	0.00
50	Eligible Provisions included in Tier 2 capital	9704.11
	Investment Fluctuation Reserve included in Tier 2 capital	1906.89
	Eligible Revaluation Reserves included in Tier 2 capital	22.54
	Total of row 50	**11633.54**

Table DF-12

(Amount in ₹ Million.)

	Composition of Capital: Reconciliation Requirements Step 1	Balance sheet as in financial statements	Balance sheet under regulatory scope of consolidation
		31-03-2023	**31-03-2023**
A	**Capital & Liabilities**		
i	Paid-up Capital	4232.40	4232.40
	Reserves & Surplus	210829.97	219628.36
	Minority Interest	-	-
	Total Capital	215062.37	223860.76
ii	Deposits	**2133860.38**	**2129885.01**
	of which: Deposits from banks	25877.04	25877.04
	of which: Customer deposits	2107983.34	2104007.97
	of which: Other deposits (pl. specify	0.00	0.00
iii	Borrowings	193192.89	258619.79
	of which: From RBI	0.00	0.00
	of which: From banks	978.00	64201.77
	of which: From other institutions & agencies	161875.13	164078.25
	of which: Others (pl. specify)	30339.76	30339.76
	of which: Capital instruments	19950.00	19950.00

Table DF-12 (Amount in ₹ Million.)

	Composition of Capital: Reconciliation Requirements Step 1	Balance sheet as in financial statements	Balance sheet under regulatory scope of consolidation
		31-03-2023	**31-03-2023**
iv	Other liabilities & provisions	**61302.65**	**66791.98**
	Total Liabilities	**2603418.29**	**2679157.54**
B	**Assets**		
i	Cash and balances with Reserve Bank of India	125908.46	126042.36
	Balance with banks and money at call and short notice	50978.34	51996.93
ii	Investments:	**489833.47**	**486139.35**
	of which: Government securities	423955.33	426889.67
	of which: Other approved securities	0.00	0.00
	of which: Shares	6874.98	6934.92
	of which: Debentures & Bonds	23478.02	21197.65
	of which: Subsidiaries / Joint Ventures / Associates	6688.02	2080.00
	of which: Others (Commercial Papers, Mutual Funds etc.)	28837.12	29037.11
iii	Loans and advances	**1744468.85**	**1819567.49**
	of which: Loans and advances to banks	2069.35	2069.35
	of which: Loans and advances to customers	1742399.49	1817498.14
iv	Fixed assets	**9339.74**	**9717.11**
v	Other assets	**182889.43**	**185694.30**
	of which: Goodwill and intangible assets	0.00	31.61
	of which: Deferred tax assets	817.43	1196.14
vi	Goodwill on consolidation	-	-
vii	Debit balance in Profit & Loss account	-	-
	Total Assets	**2603418.29**	**2679157.54**

TABLE DF-12 (Amount in ₹ Million.)

	Composition of Capital: Reconciliation Requirements Step 2	Balance sheet as in financial statements	Balance sheet under regulatory scope of consolidation	Ref No.
		31-03-2023	**31-03-2023**	
A	**Capital & Liabilities**			
i	Paid-up Capital	**4232.40**	**4232.40**	
	of which: Amount eligible for CET1	4232.40	4232.40	a
	of which: Amount eligible for AT1	0.00	0.00	
	Reserves & Surplus	**210829.97**	**219628.36**	
	Of which	0.00	0.00	
	-Statutory Reserve	46060.77	46060.77	b
	-Revaluation Reserve (Part of CET1 at a discount of 55%)	0.00	0.00	c
	-Revaluation reserves at a discount of 55 percent (T-2) (if not already shown under CET 1)	50.09	50.09	c i
	-Share premium	61716.22	63356.84	d
	-Capital Redemption Reserve	0.00	14.64	di
	-Capital Reserve	7567.74	7567.74	e
	-Revenue and other reserves	29399.16	30119.81	f
	-Investment fluctuation reserve	1906.89	1906.89	g
	-Investment reserve			h
	-Foreign Currency Translation Reserve (at a discount of 75 per cent)	-139.49	-139.49	i
	-ESOP Reserve	24.78	33.16	i1
	-Special reserve	10090.10	10090.10	j
	-Contingency reserve	301.00	301.00	k

TABLE DF-12

(Amount in ₹ Million.)

	Composition of Capital: Reconciliation Requirements Step 2	Balance sheet as in financial statements	Balance sheet under regulatory scope of consolidation	Ref No.
		31-03-2023	31-03-2023	
	- Balance in Profit and loss account at the end of the previous financial year	41055.45	42881.78	l
	- Current Financial year profit (After appropriations)	12797.24	13865.32	m
	- Dividend appropriation considered for regulatory purposes		2116.20	m1
	Minority Interest	0.00	3519.71	m2
	-Cash flow hedge reserve	0.00		
	Total Capital	**215062.37**	**223860.76**	
ii	Deposits	**2133860.38**	**2129885.01**	
	of which: Deposits from banks	25877.04	25877.04	
	of which: Customer deposits	2107983.34	2104007.97	
	of which: Other deposits (pl. specify)	0.00	0.00	
iii	Borrowings	**193192.89**	**258619.79**	
	of which: From RBI	-	-	
	of which: From banks	978.00	64201.77	
	of which: From other institutions & agencies	161875.13	164078.25	
	of which: Others	30339.76	30339.76	
	of which: Capital instruments (Tier II bonds)	19950.00	19950.00	
	- Recognised under Tier II	19950.00	19950.00	n
	- Not Recognised under Tier II	0.00	0.00	
iv	Other liabilities & provisions	**61302.65**	**66791.98**	
	of which: DTLs		0.00	
	of which: Standard asset provision included under Tier II	8990.80	9704.11	o
	Total Liabilities	**2603418.29**	**2679157.54**	
B	**Assets**			
i	Cash and balances with Reserve Bank of India	**125908.46**	**126042.36**	
	Balance with banks and money at call and short notice	**50978.34**	**51996.93**	
ii	Investments	**489833.47**	**486139.35**	
	of which: Government securities	423955.33	426889.67	
	of which: Other approved securities	0.00	0.00	
	of which: Shares	6874.98	6934.92	
	of which: Good will	0.00	150.18	x1
	of which: Debentures & Bonds	23478.02	21197.65	
	of which: Subsidiaries / Joint Ventures / Associates	6688.02	2080.00	
	of which: Others (Commercial Papers, Mutual Funds etc.)	28837.12	29037.11	
iii	Loans and advances	**1744468.85**	**1819567.49**	
	of which: Loans and advances to banks	2069.35	2069.35	
	of which: Loans and advances to customers	1742399.49	1817498.14	
iv	Fixed assets	**9339.74**	**9717.11**	
	of which Intangible assets	**0.00**	**31.61**	p
v	Other assets	**182889.43**	**185694.30**	
	a Other intangibles (excluding MSRs)	0.00	0.00	r
	b Deferred tax assets	817.43	1196.14	
	c MAT credit entitlement	0.00	0.00	
vi	Goodwill on consolidation	0.00	0.00	
vi	Debit balance in Profit & Loss account	0.00	0.00	
	Total Assets	**2603418.29**	**2679157.54**	

TABLE DF-16: EQUITIES – DISCLOSURE FOR BANKING BOOK POSITIONS

Qualitative Disclosures

Valuation and accounting of equity holdings in the banking book:

In accordance with the RBI Master Directions on "Prudential Norms for Classification, Valuation and Operation of Investment Portfolio by Banks", investments are classified at the time of purchase into Held for Trading" ('HFT'), "Available for Sale" ('AFS') and "Held to Maturity" ('HTM') categories.

Investment in the equity of subsidiaries and joint ventures (a Joint Venture is the one in which the bank, along with its subsidiaries, holds more than 25% of the equity) are required to be classified under HTM category.

Investments in Held to Maturity are carried at their acquisition cost. Any diminution, other than temporary, in the value of such securities is provided for. Profit on sale /redemption of investments is included in the Profit and Loss account and is appropriated to Capital Reserve after adjustments for tax and transfer to Statutory Reserve. Loss on sale / redemption is charged to the Profit and Loss account

Investments in subsidiaries/associates as per RBI guidelines are categorised as HTM and assessed for impairment to determine permanent diminution, if any. The book value of Bank's equity investment HTM portfolio was ₹ 6,688.02 Million as at 31.03.2023.

Quantitative Disclosures

(Amount in ₹ Million.)

Market Value of Equity Investments in HTM Outstanding	6688.01
The types and nature of investments, including the amount that can be classified as:	
▪ Market Value of Listed Equities in HTM	0.00
▪ Market Value of Unlisted Equities in HTM	6688.01
Net Profit / Loss on sale of Equities from HTM	-
Total unrealised gains (losses)*	-
MTM of HTM equities	-

*Unrealised gains (losses) recognised in the balance sheet but not through the profit and loss account.

All our investments in subsidiaries are kept under common equity.

LEVERAGE RATIO (Consolidated)

Leverage ratio is a non-risk based measure of exposure over capital. The leverage ratio is calibrated to act as a credible supplementary measure to the risk based capital requirements. The Basel III leverage ratio is defined as the ratio of capital measure (the numerator) to exposure measure (the denominator), expressed as a percentage.

The capital measure used for the leverage ratio at any particular point in time is the Tier 1 capital measure applying at that time under the risk-based framework. Total exposure measure is the sum of the on-balance sheet exposures, derivative exposures, securities financing transaction (SFT) exposures and off- balance sheet (OBS) items.

$$\text{Leverage Ratio} = \frac{\text{Tier I Capital}}{\text{Total Exposure}}$$

TABLE DF 17 - SUMMARY COMPARISON OF ACCOUNTING ASSETS VS. LEVERAGE RATIO EXPOSURE MEASURE.

	Item	(Amount in ₹ Million.)
1	Total consolidated assets as per published financial statements	2603418.29
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	75739.24
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure (less)	2024.46
4	Adjustments for derivative financial instruments	23533.24
5	Adjustment for securities financing transactions (i.e. repos and similar secured lending)	0.00

Item		(Amount in ₹ Million.)
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	218801.77
7	Other adjustments	6755.62
8	Leverage ratio exposure	2926223.71

TABLE DF 18 - LEVERAGE RATIO COMMON DISCLOSURE TEMPLATE

Item		Leverage ratio framework (Amount in ₹ Million.)
On-balance sheet exposures		
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	2685913.15
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	2024.46
3	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)	2683888.70
Derivative exposures		
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	6038.45
5	Add-on amounts for PFE associated with all derivatives transactions	17494.79
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	0.00
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	0.00
8	(Exempted CCP leg of client-cleared trade exposures)	0.00
9	Adjusted effective notional amount of written credit derivatives	0.00
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	0.00
11	**Total derivative exposures (sum of lines 4 to 10)**	23533.24
Securities financing transaction exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	0.00
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	0.00
14	CCR exposure for SFT assets	0.00
15	Agent transaction exposures	0.00
16	**Total securities financing transaction exposures (sum of lines 12 to 15)**	0.00
Other off-balance sheet exposures		
17	Off-balance sheet exposure at gross notional amount	570657.68
18	(Adjustments for conversion to credit equivalent amounts)	351855.90
19	**Off-balance sheet items (sum of lines 17 and 18)**	218801.77
20	Tier 1 Capital	214210.26
21	Total exposures (sum of lines 3,11,16 and 19)	2926223.71
22	Basel III leverage ratio	7.32%

*Leverage ratio (Solo):7.18%