

MANAGEMENT DISCUSSION AND ANALYSIS

GLOBAL ECONOMIC SCENARIO

BANI IN BANI

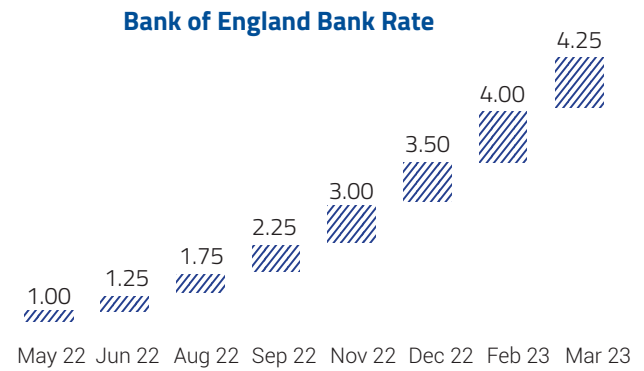
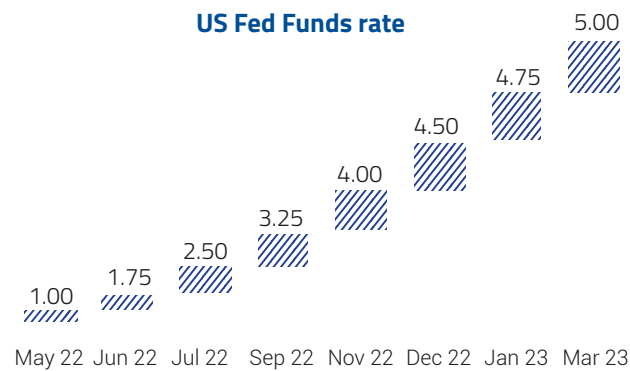
Building A New India (BANI) in a Brittle, Anxious, Non-linear and Incomprehensible (BANI) environment, has been a progressive narrative of the past 12 months, coming with its own set of challenges.

While India was not isolated from events around the world, however from the point of intersection, as a nation we are showing the world the India Way. Be it Geopolitical Relations, Financial Sector Stability, Currency Exchange Rates etc the Government, Regulators and even citizens of the nation have kept the ball rolling through purposeful resilience.

The Russian invasion of Ukraine at the beginning of 2022 spiked tensions, and nations split themselves into for and against camps. The faultlines have been sharp impacting prices of commodities, particularly Oil, Coal and Natural gas. Spurred on by the regulation of output by the OPEC+ countries, crude oil prices saw large swings and remained above \$100/ per barrel for most of the first quarter of FY23. Metals also saw elevated

various financial support measures post pandemic, saw the US hit its debt ceiling. Countries such as Sri Lanka saw forex reserves decline substantially, devaluing their currency and plunging their economies into crisis. Over time, it seemed that a soft landing was becoming more and more tricky to achieve. Bank of England was the first Central Bank to kick off the global liquidity tightening cycle with a 25bps increase in their Bank rate in February 2022. This was soon followed by the US who also increased their Fed Funds rate by 25 bps. However as the situation worsened due to various crises, the quantum of rate hikes increased. Over the course of the Financial Year, the US Fed had increased key rates by a cumulative 450 bps and the Bank of England had increased rates by 350 bps. As the Financial Year drew to a close, the aggressive nature of hikes had abated but the terminal rates were still uncertain.

Just as Central Banks started seeing the light at the end of the tunnel in the form of softening inflation rates, another crisis was brewing in the US financial system. Over the course of a few weeks in March 2023, two US Banks collapsed due to a



prices led by Gold which saw surge due to safe haven demand. The volatility and uncertainty put pressure on Governments who were dependant on imports for important commodities and the common consumer who saw fuel bills and food prices go up.

WORLD ECONOMIES

After almost two years of abundant liquidity, inflation was already inching up prior to the start of the Financial Year. Governments around the world were starting to get wary of the elevated inflation rates, looking at ways to wear their respective economies off the surplus liquidity and engineer a soft landing. It was in this backdrop that commodity prices spiked suddenly due to geo-political tensions. US, UK and many developed economies saw persistently high inflation rates. The

run on their deposits. The regulator responded immediately to contain the situation with the FDIC stepping in to calm depositors' nerves. Close on the heels of the disruption, we saw the winding up of another global Bank through a merger with its closest competitor with the assistance of the country's Government. Ongoing developments in this sector shows that we may not be out of the woods yet.

Looking back, the global economy is swimming against the tides and the volatile and uncertain environment may persist for some more time; an ebb seems distant for now.

MEANWHILE IN INDIA

As India continued to give alternatives to an embattled world, its broadside had its own share of dents, albeit no significant





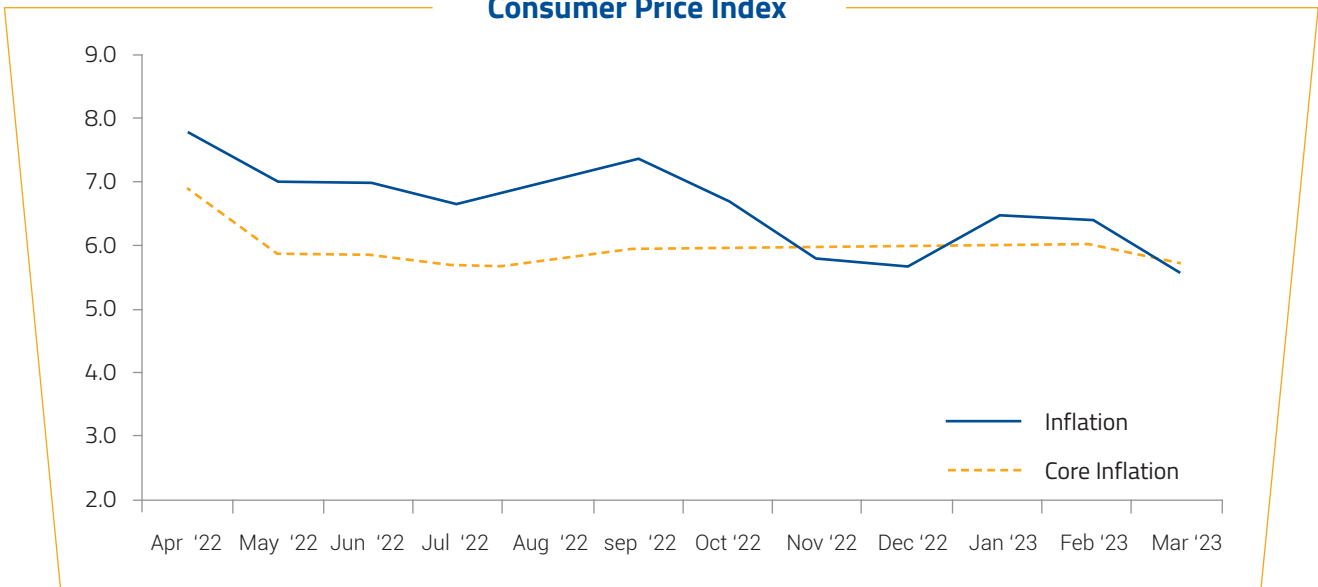
MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

breaches. The Government and regulators managed the turmoil well by ensuring adequate policy support and timely interventions in the market.

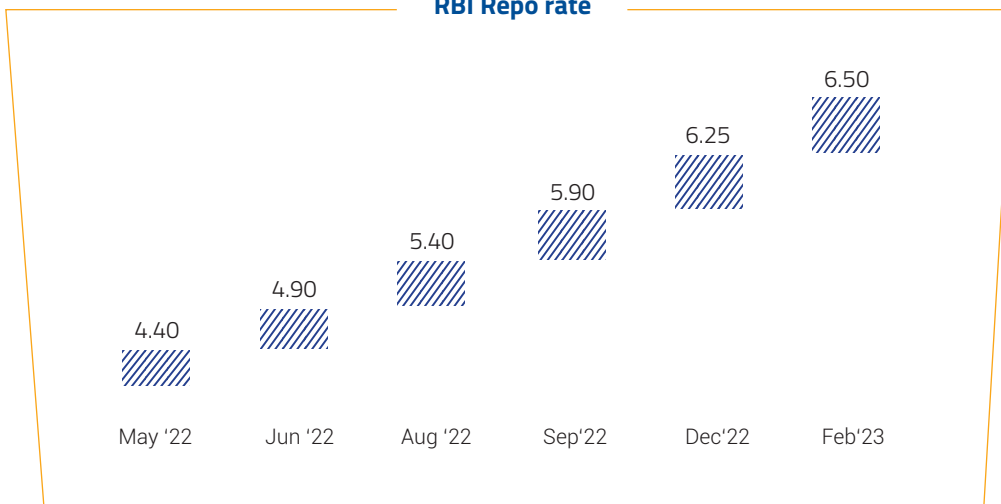
Ambidextrous and Unambiguous

Inflation needed skillful handling to demonstrate optical significance and effective control. The ambidexterity of its management was demonstrated in a slew of support measures. Various supply side measures such as export bans on essential food products, discarding of import duties for edible oils etc ensured food safety. A deal to procure oil at discounted rates from Russia ensured that the country was insulated from the worst of fuel inflation while at the same time Open Market Operations by the RBI managed to cushion the fall in value of Rupee. On the demand side, India’s Central Bank embarked on unambiguous measures to reduce the liquidity in the system while at the same time ensuring that the green shoots of growth are not cut off.

Consumer Price Index



RBI Repo rate



MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

RBI started off on the policy tightening path in the MPC meeting conducted in April 2022 where the Central Bank had shifted its focus from 'accommodative' to 'withdrawal of accommodation'. Soon afterwards, the rate hike cycle was started in a surprise off-cycle rate hike of 40 bps in May 2022 along with an increase in CRR to 4.5%. Since then, RBI has raised the Repo five more times by a cumulative 250 bps taking the Repo rate to 6.50%. Compared to the 400-450 bps cumulative hike by Central Banks of large economies, the increase seems diminutive, but along with various other market intervention measures, the Central Bank managed to bring inflation within its target band of 2%-6% by the end of the financial year. Most importantly, the feat was accomplished without extinguishing the country's growth prospects.

The Indian Economy is perceived as a bright spot in the Global Economy by supranational organisations such as IMF and is expected to grow at a faster pace than most world economies. By the end of the calendar year 2022, India had grown to become the 5th largest economy in the world by GDP. Aided by a strong domestic demand, focussed long term investments by the Government and surprisingly upbeat services export, the provisional GDP growth for the Financial Year has come out to a strong 7.2% which is one of the highest among large economies.

The growth story of India is just taking wings. Rich demographic mix, coupled with strong investments in long term capacity building and increasing ease of doing business, aided by the geo-political fallout of trade tensions between the largest economies in the world, form a perfect stage for the Indian economy to take-off in the coming days.

Building A New India (BANI) is a kinetic journey leading to a destination full of potential. Almost like the infinity loop.

INDIAN BANKING INDUSTRY

FY23 was a strong year for the Banking industry in India. With the recovery from the pandemic going strong, aggregate credit growth outpaced deposit growth throughout the year. Even the rate hikes did not dampen the appetite for credit with Gross Bank Credit growing by an average of 14%. Higher lending rates along with strong credit demand aided Banks to increase NIMs and post excellent profit numbers. The general upbeat trend in the sector can also be seen in the stock market Bank indices which have generally outperformed general indices over the year.

Containment of GNPA and NNPA

Despite the robust growth in credit, asset quality in the banking system held up well. GNPA and NNPA ratios of Scheduled Commercial Banks were at multi-year lows. Banks held

sufficient provisions to tide over stress in their books with Private Sector Banks maintaining PCR in excess of 74% at the end of FY23. The close watch kept by the regulator on asset growth along with frequent dialogues initiated with Banks, may ensure that the asset quality in the banking system remains stable into the future.

Congestion in Deposits

The major challenge that Indian Banks faced during the year was the lagging deposit growth to fund the robust demand in credit. With an average deposit growth of only 9%, there was strong competition in wooing deposit customers. Many large Banks also explored alternative sources of raising funds with bond issuances, asset securitisation etc seeing heightened activity. And with credit demand showing no signs of abating, the rush for raising funds may continue to play out in the near term.

Investments And Innovation for Inclusion

Another general trend in the sector which was ushered in by the actions of the Government and RBI, was a democratisation of financial products with a push for more financial inclusion. From opening up investments in Government securities for retail customers to various regulations to increase the depth and liquidity in corporate bond markets, the general public now has various avenues for channelling their investments. At the same time, new regulations by the Central Bank aimed at Buy Now Pay Later products, digital lending, storage of card data, usage of recovery agents and penal interest rates along with the expansion of Integrated Ombudsman scheme serve to ensure protection for the common consumer. With the ever-increasing presence of UPI, establishment of DBUs and a roll out of the CBDC, it is now easier and safer than ever to be included in the financial ecosystem.

TECHNOLOGY LEVERAGING BUSINESS STRATEGY

India saw a broad-based recovery this fiscal for the first time after the onset of the pandemic in 2020 as services caught up with manufacturing. Credit growth has remained robust even amid the significant rise in interest rates, and global uncertainties related to geo-political, and supply chain issues. In this background, your Bank devised strategies to tap into the mega trends while strengthening the core and investing in the adjacencies. As the appetite for credit in the industry remained unaffected by the hike in rates, your Bank was able to leverage its strong base of retail clientele for low-cost funding, put in enablers to grow higher margin lending with well-designed risk architecture, built capabilities around Priority Sector Lending





MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

and generate scale with unique FinTech partnerships.

As technology and digital takes centre stage, your Bank continued its obsession with customer convenience by launching many customer-centric products and services which had a positive influence on the way we do business. During the year, your Bank launched an add-on Card facility for its Credit Card customers. Bank became a live issuer of e-RUPI, which is a cashless and contactless person and purpose-specific digital payment solution launched by the National Payment Corporation of India, introduced SoftPOS - a mobile application-based solution which enables merchants to accept cash, card, QR or UPI transaction on merchant's mobile phone, which is in line with the Banks strategy of tapping into the emerging trends.

Stack Strengthening

In order to attain the vision of making your Bank the 'Most Admired Bank' in the country and the ambition to become the first choice Bank, the strategy plan was further tweaked during the year. Plans were laid out focusing on gaining scale and with the right mix of higher yielding products such as Credit Cards, Personal Loans, Gold Loans, Microfinance, CV/CE etc, within the overall risk appetite of the Bank. The strategies identified

include focusing more on higher margin lending with well-designed risk architecture, building capabilities around Priority Sector Lending, building scale with unique FinTech partnerships, embedding ESG parameters in the business strategy not only to meet the stakeholders' requirements but also factoring in environmental, social and governance (ESG) aspects and building sustainability. Your Bank has envisaged a clear vision, aiming to be a compelling Brand that attracts clientele, to provide them with Banking services that embrace the latest technology, which is transparent, secure and to achieve economies of scale to Increase efficiency and Cost Advantage.

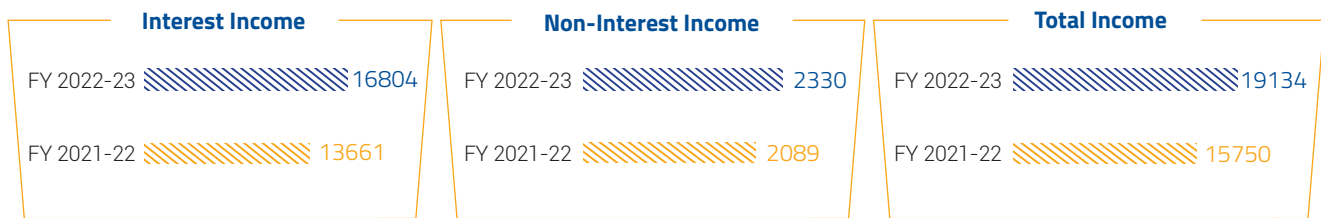
Strong Delta of Improvement

With stability and predictability in performance, best-in-class liability franchise, improved operating metrics, shift in credit mix towards granular retail, top-tier asset quality and robust coverage ratios, your Bank believes that the Bank is fully poised to move towards an ever-improving P&L and Balance Sheet. This eventually should enable your Bank to leverage many more opportunities available in the market to build significant delta. Over the next three years, the Bank plans to clock 15-17 % of Business CAGR, i.e., around 1.5x increase in business.

OVERVIEW OF PERFORMANCE (STANDALONE)

Income

(₹ in Crore)

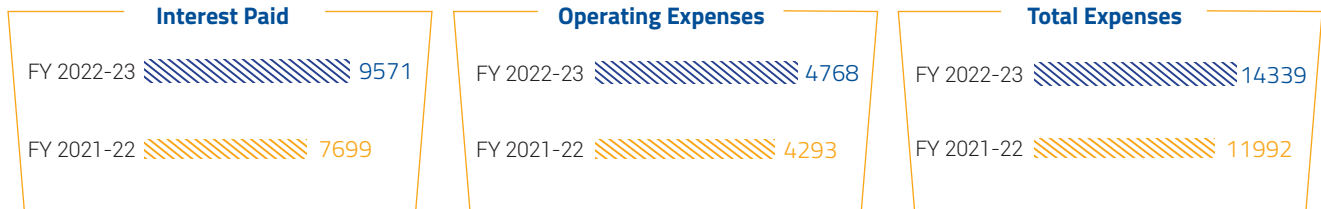


During the financial year, the yield on average advances (gross) stood at 8.56% as compared to 8.05% in the previous year and the yield on investments (excluding trading gain) stood at 6.35%. The interest/discount on advances/bills improved to ₹ 13,492 Crore (March 31, 2023) from ₹ 10,830 Crore (March 31, 2022), interest on investments reached ₹ 2,796 Crore on March 31, 2023, and other interest including interest on balances with RBI / other interbank funds reached ₹ 516 Crore on March 31, 2023. The share of interest income of your Bank to total income stood at 88%.



MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)
Expenditure

(₹ in Crore)

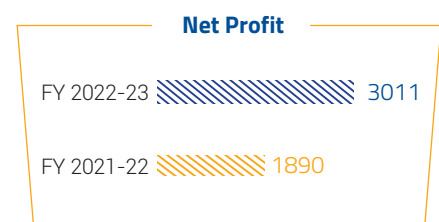


During the financial year, the average cost of deposits of your Bank increased to 4.58% from 4.33% as on March 31, 2022. The interest paid on deposit stood at ₹ 8,613 Crore with YoY increase of 17 % and other interest expenses stood at ₹ 958 Crore. The staff opex dropped by 6% and other operating expenses increased by 32% translating to 11% increase in operating expenses.

OPERATING PERFORMANCE

(₹ in Crore)

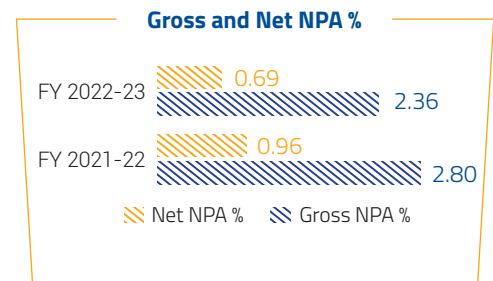
Particulars	March 31, 2023	March 31, 2022
Net Interest Income	7,232	5,962
Non-Interest Income	2,330	2,089
Net Total Income	9,562	8,051
Operating Expenses	4,768	4,293
Operating Profit	4,794	3,758



The net interest income of your Bank registered a growth of 21% YoY and Non-Interest Income grew by 12% YoY. Fee for the same period improved by 38%. During the financial year, your Bank's spread on advances (net) is at 3.60% and spread on investments (gross) is at 1.95%. Net profit registered 59% growth.

ASSET QUALITY PARAMETERS

Particulars	March 31, 2023	March 31, 2022
GNPA (₹ in Crore)	4,184	4,137
NNPA (₹ in Crore)	1,205	1,393
Provision Coverage Ratio (%)	70.02	65.54
Provision Coverage Ratio (%) (Inc TWO)	83.49	80.60



The asset quality metrics improved during the FY, with reduction in NPA ratios year on year. The Gross NPA of your Bank as on March 31, 2023, stood at ₹ 4,184 Crore. Gross NPA as a percentage to Gross Advances is at 2.36%. The Net NPA stood at ₹ 1,205 Crore and this as a percentage to Net Advances is at 0.69%. The Provision Coverage Ratio (including technical write-offs) stood at 83.49%, an improvement of 289 bps. Provisions (excluding technical write-offs) improved by 448 bps to reach 70.02%.

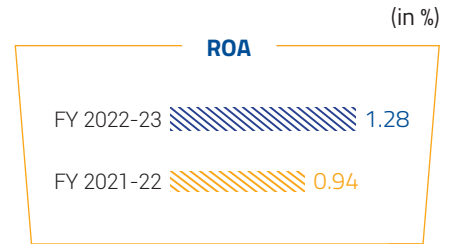




MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

KEY RATIOS

Particulars	March 31, 2023	March 31, 2022
Return on Average Equity	15.02	10.87
Cost to Income Ratio	49.86	53.32
Net interest margin	3.31	3.20
Earnings per Share (EPS) ₹ (Annualised)	14.27	9.13
Book value per share (end period) ₹	101.22	88.75



Return on assets and return on equity improved during the year and stood to 1.28% and 15.02% respectively. Earnings per share improved to ₹14.27 from ₹ 9.13, while book value per share increased to ₹ 101.22 from ₹ 88.75.

BALANCE SHEET PARAMETERS

(₹ in Crore)

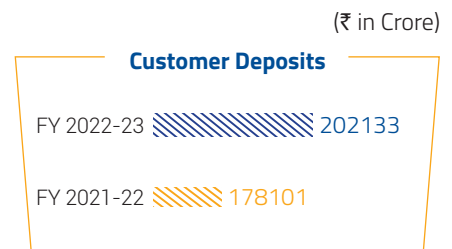
Particulars	March 31, 2023	March 31, 2022	% Change
Liabilities			
Capital	423	421	0.6%
Reserves & surplus	21,083	18,373	15%
Deposits	213,386	181,701	17%
Borrowings	19,319	15,393	26%
Other Liabilities & provisions	6,130	5,059	21%
Total	260,342	220,946	18%
Assets			
Cash & balances with RBI	12,591	16,049	-22%
Balance with Banks & Money at call	5,098	4,961	3%
Investments	48,983	39,179	25%
Advances	174,447	144,928	20%
Fixed Assets	934	634	47%
Other Assets	18,289	15,194	20%
Total	260,342	220,946	18%

Total assets increased by 18% to reach ₹ 260,342 Crore as on March 31, 2023, from ₹ 220,946 Crore on March 31, 2022, driven by 20% growth in Net Advances and increase in investments by 25% to reach ₹ 48,983 Crore as on March 31, 2023.

DEPOSITS

(₹ in Crore)

Particulars	March 31, 2023	March 31, 2022	% Change
Customer Deposits	202,133	178,101	13%
Certificates of Deposit	9,461	2,437	288%
Interbank deposits	1,792	1,163	54%
Total Deposits	213,386	181,701	17%



Deposits growth held up well for your Bank during FY 2022-23 with Total Deposits growing by 17% Y-o-Y, Core Deposits constituting 99% of Total deposits and Term Deposits growing by 25%.



MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

ADVANCES

(₹ in Crore)

Particulars	March 31, 2023	March 31, 2022	% Change
Retail Advances	56,077	47,863	17%
Business Banking	14,173	12,529	13%
Agri Advances	23,355	19,228	21%
CV/CE Advances	2,186	1,275	71%
Gold Loans	19,841	17,316	15%
Commercial Banking	17,274	14,651	18%
Corporate Banking	64,311	52,094	23%
Gross Advances	177,377	147,639	20%

Net Advances



CAPITAL MANAGEMENT

(₹ in Crore)

Particulars	March 31, 2023	March 31, 2022
Common Equity Tier-1 Capital	20,431	17,639
Additional Tier-1 Capital	0	0
Total Tier-1 Capital	20,431	17,639
Tier-2 Capital	2,813	1,637
Total Capital	23,245	19,276
Common Equity Tier-1 Ratio (%)	13.02	14.43
Total Tier-1 Capital Ratio (%)	13.02	14.43
Tier-2 Capital (%)	1.79	1.34
Total Capital Ratio (%)	14.81	15.77

Capital Adequacy Ratio at 14.81% stood well above the regulatory minimum requirement of 11.50%, including a Capital Conservation buffer of 2.50%.

CRYSTAL GAZING AND TELESCOPING INTO FY-24.

The banking industry in India is expected to perform well in FY24, with controlled asset quality, strong credit growth and greater financial inclusion. The upside surprise sprung by the Provisional GDP growth of 7.2% for FY23, shows that the Indian economy has recovered well after the pandemic. Cleaner corporate balance sheets, Government thrust on capital expenditure, strong domestic demand and a diversification of global manufacturing should help the economy steam ahead in the following year as well.

Various initiatives by the Govt such as PLI and the Green Hydrogen Mission should kindle capital asset creation in the corporate world. This along with an unwaning domestic demand should ensure that credit growth continues its momentum into the next year. The challenge will continue to be on the deposit side which could lead to Banks turning to other alternatives to continue to fund asset growth. Increased instances of capital raising and bond issuances may be expected in the next

FY. With the peaking of interest rates which is expected in FY24 along with stability and moderation in pricing of new assets, Banks with a high-quality asset base and robust underwriting standards will be able to sustain their credit growth without sacrificing on asset quality. Meanwhile Banks with granular low-cost deposits will be able to maintain margins and continue their recent streak of high profit numbers.

Another factor which could play out in the coming year is the continuing democratisation of financial products. With this ongoing process, the universe of clients and products that can be serviced by Banks will continue to increase and the Banks that are most nimble and able to adapt, will be able to reap the benefits. On the downside Banks will need to compete not only with other Banks but all other kinds of businesses for attracting the wallet of the customer. The digital transformation initiatives of the Government and regulators, such as the open API policy, India Stack, UPI, e-KYC, e-signing, etc will help improve Bank's operational efficiency, customer convenience and service delivery. Add to this the efforts by the regulators to provide a level playing field for all institutions by removing regulatory and other arbitrage opportunities, it is certain that the Banks which connect the most with the customer will be able to succeed into the future.

BUSINESS OVERVIEW

CORPORATE AND INSTITUTIONAL BANKING

The Corporate and Institutional Banking division offers the most comprehensive suite of banking products and services, catering to Business Houses and Large Corporates, MNCs, Capital Market clients, PSUs, FinTechs and Financial Institutions. It offers customised products and services across working capital, term funding, structured finance, cash management, trade finance and forex management backed by comprehensive electronic banking solutions, which provide seamless customer onboarding and service management journeys.





MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

Africa, LatAm and South Asia Powering Growth

To boost flow-based businesses and trade transactions, your Bank has entered into Trade Assistance Program (TAP) with Exim Bank, India to grow trade businesses linked with Africa, Latin America and the South Asian Region. To acknowledge the effort of your Bank, Asset Magazine has awarded your Bank with “AAA- Best Trade Solution” for factoring a deal under the category of Trade Finance, Risk Management & Working Capital Solutions for India region.

Digital at the Fore, Human at the Core

The distribution continues to expand through the Relationship Management structure at numerous locations and touchpoints, catering to the entire value chain across Business Departments. This approach has helped your Bank in tapping various Retail, SME and cross-sell opportunities. On the digital front, we have (Application Programming Interfaces (API) / Host 2 Host (H2H) integration with large corporates to make their digital payment flawless. Most of your Bank’s clients have moved to the digital platform of the Bank and all products are being offered and serviced through this platform, in line with the philosophy of “Digital at the Fore, Human at the Core.”

Growth Trajectory

During FY 2022-23, Corporate advances increased to ₹ 64,311 Crore from ₹ 52,094 Crore (excl Credit substitutes). The focus of wholesale banking continues to be the preferred banking partner to its clients, with a well-designed client selection strategy and a robust credit underwriting process, which is reflected in its asset quality.

COMMERCIAL BANKING

The Commercial Banking division focuses on providing end-to-end financing solutions to Mid-Market and MSMEs. Your Bank’s offerings in this segment include working capital, term loan, trade finance and advisory services, cash management, supply chain finance, foreign exchange services, structured offerings, gold metal loans and liability products. The Bank leveraged its relationship structure spread across different geographies to add many New to Bank clients as well as increase its wallet share of business with existing clients.

Supply Chain Finance

Your Bank has launched a fully digital end-to-end integrated supply chain finance platform for corporate clients and their vendors and dealer. SCF book has a balanced mix of products such as dealer finance, vendor finance, factoring and payable finance. Your Bank has encapsulated strong risk management

practices in managing the portfolio, with an objective to enhance the asset quality, reduce concentration risk and build a granular book.

Bank of First Choice

During FY 2022-23, this business scaled up further with a closing advance position of ₹ 17,274 Crore as against ₹ 14,651 Crore in FY 2021-22. The business continues to have a diversified and granular portfolio in terms of sectors and geography. Your Bank’s focus on Commercial Banking will continue to be the “Bank of First Choice” for all its clients.

CV/CE BUSINESS

The CV/CE Division finances a range of customers, right from First Time User (FTU) to Super Strategic Customers (having more than 25 vehicles or Equipment). Even though a recent entrant in the CVCE financing space, your Bank has been able to make a meaningful impact in the market with excellent service and competitive rates. In FY 23, your Bank has spread geographically to the North and East and now has a pan India presence.

During last year, your Bank further grew its CV/CE book by 71% to reach ₹ 2,186 Crore of advances with a good mix of new and used vehicles while ensuring robust asset quality. Over 80% of this book qualifies for PSL. Your Bank has created a dedicated CV/CE team of professionals for business acquisition, credit underwriting and collections. Your Bank has been able to onboard the best clients in the CV/CE market. The Department has signed MOUs with all major OEM players like Tata Motors, Ashok Leyland, Eicher Motors, Schwing Stetter and JCB, to be a preferred financier for them. With the Construction, Infrastructure & Mining industries doing well, your Bank is poised to cross more milestones in the years to come in CV/CE finance business.

GOVERNMENT BUSINESS

Government Business Department focuses on providing end-to-end solutions to Government Departments and entities, thereby building CASA and Term Deposits. This Department is managed through Relationship Managers posted across numerous locations and touchpoints to canvass liability business from Central & State budgetary allocations and Local and State Government offices like Panchayats, Municipalities, etc. Your Bank offers bespoke CASA products exclusively designed to suit the needs of the Government & its related entities. The Department actively engages with Government Departments to digitalise various operations for the Government functioning.



MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

During the year FY 2022-23:

- Your Bank has gone live on (i) Direct Tax Payment Service on behalf of CBDT, (ii) Collections of Customs and (iii) Collections of GST, both on behalf of CBIC.
- SNA model – 1 final Scheme level integration is under process and your Bank's name is included in the PFMS site for System-1 activation.
- Govt of Goa has empanelled your Bank to conduct its business as Agency Bank.
- Govt. of Odisha has empanelled your Bank among the list of Bankers for handling business & deposits of State Public Sector Undertakings (SPSUs) and State Level Autonomous Societies (SLASs) for the year 2022-23.

BUSINESS BANKING

Business Banking comprises business loans up to ₹ 10 Crore, mainly Micro, Small and Medium Enterprises. The segment registered a growth of 13%, disbursing 12,000+ loans (excluding GECL) during FY 2022-23, of which 50% of loans were disbursed to New to Bank customers.

Business Banking focused on granular growth through neighbourhood banking and remained one of the high-yielding portfolios of your Bank in FY 2022-23. While the business is mainly driven through the traditional stronghold branch network, Relationship Managers posted at potential centres across the country contributed to bringing good quality fresh customers to our fold. Business Banking Development Managers posted at all Zones, focused exclusively on adding New to Bank Customers to our fold. Strategic tie-ups have also contributed to additional sourcing from unexplored markets.

Your Bank is actively engaged in introducing and improvising the loan products to meet the market demand and to assist the economy to revive after the pandemic period. To cater to the Geographic and sector-specific needs your Bank introduced customised products to suit specific requirements pertaining to selected geographies and sectors (Loan scheme to Medical Professional and Loan scheme to textile sector for geographies-Surat, Ahmedabad, Vadodara, Jaipur Rajkot, Coimbatore, Tirupur and Chennai).

In tune with the Environmental and Social Management System (ESMS) policy, your Bank has adopted, a scheme for financing green loans was introduced for supporting the business units investing in the activities coming under green financing in FY 2022-23. The Business Banking Department of your Bank is also ensuring an environmentally friendly approach in all its

lending, disassociating from all environmentally detrimental projects based on its exclusion list.

Agile Products and Awards Galore

The Business Banking Department of your Bank is actively engaged in the implementation and improvisation of various digital channels for quick loan sanctions. Data and analytics were employed to offer quick loan delivery to existing customers during FY 2022-23, ensuring customer delight. A digital process was implemented for the renewal of loans too, thereby simplifying the process.

Your Bank also enhanced the scope of its digital lending platform- 'Federal Insta Loans' including more products, for providing instant In-principle sanction for MSME customers in a digital manner and got recognition for the platform by bagging the prestigious award 'THE BEST DIGITAL BANKING PRODUCT – PRIVATE SECTOR BANK' at the 'Lentra Digital Lending Transformation Global Summit 2022 in Association with Economic Times Edge, held at Mumbai on July 29, 2022, by surpassing major private sector Banks.

RETAIL BANKING

During FY23, your Bank could register a growth of 17% in total deposits amidst domestic and global issues, recession threats, etc. The NR portfolio growth was steady over the period, registering a growth of ₹ 3,757 Cr. The Bank had come up with exciting campaigns and programs that has helped us to grow its NR rupee deposits in a faster than the industry. Your Bank has entered into a strategic tie-up with UAE-based Mashreq Bank to facilitate the first-of-its-kind online facility for Mashreq Neo customers to open their NRI account with Federal Bank.

Your Bank is continuing its growth in the cross-border personal inward remittance business. In FY 23, the Bank handled ₹ 1,72,463 Crore of inward remittance through Rupee Drawing Arrangement (RDA), registering a growth of 25%. Your Bank now holds a market share of 19.30% in personal inward remittances to India. In FY 23, Bank tied up with Lulu Money PTE Limited, for facilitating remittance for the Indian diaspora from Singapore to India.

RETAIL ADVANCE

The retail advances of your Bank grew by 17% reaching ₹ 56,077 Crore, forming 32% of the total advances of your Bank. The retail book has seen good traction across all its major products. Housing Loans and Retail Loans against Property (Retail LAP) continue to be the major components of the retail loan book with a combined share of 64%. During the year, the Housing





MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

Loan portfolio crossed ₹ 25,000 Crore, registering a growth of 17%, the Retail LAP portfolio crossed ₹ 9,900 Crore, registering a growth of 18%, and the Auto Loan portfolio grew by 29%, crossing ₹ 5,400 Crore in book size. Your Bank continues to refine products/policies and streamline the internal processes and digital capabilities, thus ensuring better productivity and cost reduction. During FY 23, your Bank created a preapproved top-up program for housing loan customers through BYOM (Be Your Own Master) application. It is one of the unique propositions in the Digital mortgage space where the eligible customer can complete his Loan journey through a few clicks, without the need to provide all the documents as is generally followed. Your Bank has also associated with IMGIC (India Mortgage Guarantee Corporation) and created a new variant for home loans which allows a larger segment of customers to be eligible for the Housing Loan product.

As part of our commitment towards embracing and enhancing the digital journey in Mortgage loans, your Bank has tied up with Valocity Global for digitisation of the valuation process whereby the valuation process by the vendors will be integrated into the digital ecosystem. For enhancing the Auto loan business, your Bank continues to tie up with all the major OEM players including Maruti, Honda, TATA, Hyundai and Toyota Motors. Additionally, your Bank had integrated into the digital platform of the largest Passenger Car OEM, Maruti by offering Instant Car Loan approvals for salaried customers through their portal. To give focus on the higher yield retail segment, your Bank has launched a Digital journey for Used Car and Two-wheeler loans also.

CARDS AND UNSECURED LOANS

The credit card and debit card business of your Bank continues to be a significant source of revenue and growth for the Bank. The Bank offers a wide range of credit and debit cards with various rewards programs to cater to the diverse needs of its customers. During the current financial year, the Bank witnessed growth in its credit card and debit card business and continues to garner market share in both segments.

The credit card business of your Bank witnessed steady growth during the year. The Bank continued to focus on acquiring new customers and retaining existing ones through innovative marketing strategies, attractive rewards programs, and superior customer service. Your Bank's credit card portfolio comprises a mix of premium, classic, and co-branded cards curated for young professionals, family and HNI segments, with features such as cashback, travel rewards, and discounts on dining and shopping. During the year, your Bank's credit card

business witnessed an increase in spending and could achieve total spending of ₹ 1,476 Cr in the organic Credit card portfolio during FY 23.

Your Bank has set up best-in-class features for its credit card business consisting of a fully digital onboarding journey, instant issuance of virtual credit cards, differentiated reward point structure, dynamic APR, etc to name a few. The Bank currently issues credit cards on a Secured and preapproved basis to existing customers. New customers to your Bank can also complete their onboarding journey and get a card issued on a fully digitised platform, which requires only a few clicks. Your Bank is in the process of rolling out several initiatives shortly, including the launching of new cobranded credit card partnerships, to continue to gain market share and be a significant player in the credit card industry.

The Debit card business of your Bank witnessed a 16% growth in spending during the year. Your Bank continues to be the 5th largest private sector Bank in the country with monthly debit spending reaching an all-time high of ₹ 1,490 Crore in March 2023. Your Bank continued to focus on offering superior customer service and innovative features such as cashback on transactions, and discounts on shopping and dining thereby providing round-the-year offers to its customers. This has not only helped in enhancing your Bank's brand presence across leading e-commerce merchants but has also played a key role in increasing spending on debit cards.

Your Bank's debit card portfolio comprises a range of card products that are specifically curated to the diverse needs of its customer base including NRIs. During the year, your Bank witnessed an increase in the number of new customers acquiring debit cards. Your Bank also witnessed an increase in the usage of its debit cards for online transactions, which is a positive trend for the Bank.

Your Bank offers a wide range of personal loan products to meet the diverse needs of its customers. Your Bank has been actively growing its personal loans portfolio over the years, and this trend is expected to continue in the coming years. Your Bank has been using analytics to identify existing customers who are likely to take a personal loan and offering them personalised preapproved loan offers. Your Bank also uses credit scores and other credit assessment tools to assess the credit risk associated with each borrower. Your Bank has implemented an end-to-end digital automated loan origination system that ensures faster loan processing and reduces the turnaround time for loan approvals. Your Bank has been able to maintain its asset quality in the personal loan portfolio, and we believe



MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

that your Bank's risk management framework and technology-enabled processes will help it manage the credit risk associated with the portfolio effectively.

Growing the Credit Card and Personal Loan business of your Bank is going to be one of the important strategies during the coming Financial Year and beyond. Along with leveraging its existing customer base by offering them pre-approved loans/offers, your Bank is also offering attractive propositions for new customers as a means to ensure effective onboarding. Your Bank's strong distribution network and focus on customer acquisition and retention will help it continue to grow its Cards & Personal Loans portfolio in the future.

FEE INCOME

In FY 2022-23 the Wealth Management Service (WMS) business, in collaboration with M/s Equirus Wealth, reached new heights, increasing both AUM and income from the previous year. Overall, AUM reached ₹ 3,621 Crore as of March 31, 2023, earning fee income of ₹18.63 Crore. The total client base reached 92,229, by adding over 44,000 customers in FY 2022-23 itself, mainly through digital business acquisition via investment platform in FedMobile. SIP sourcing crossed 20,000 with a monthly AUM of ₹ 5.4 Crore.

Your Bank offers various insurance products such as life insurance, health insurance and property insurance. These products help customers to mitigate financial risks and protect their financial needs. Improving the PPC and offering the right products to clients are important strategies of the Bank. Your Bank registered a business figure of ₹ 123.20 Crore via the distribution of Insurance and Para Banking products. Some of the key highlights of FY 23 are given below.

- The insurance distribution has been the largest contributor to non-banking fee income totalling ₹ 113.10 Crore.
- Your Bank has upgraded its NPS platform to improve product penetration among the Bank's clientele.
- The Bank has improved the penetration of 'Sovereign Gold Bond' with pan India market share @ 4.30%.

AGRI BANKING

Agriculture, with its allied sectors, continues to be an essential sector of the Indian economy, employing nearly three-quarters of the population contributing significantly to the country's GDP. India has a rich agricultural history dating back thousands of years, and its agricultural practices have evolved to meet the

challenging needs of the population. India continues to be a dominant player globally in terms of export of Agri commodities. Your Bank offers all types of Agricultural products suitable for the farmer community to take care of his pre- and post-harvest requirements, infrastructure facilities, allied and ancillary related activities, etc which are delivered through the distribution channel spread across the country well supported by a specialised team of Agricultural relationship managers.

Kisan Credit Card Scheme

Last year, your Bank introduced a product that has revolutionised the approach towards rural lending. Faster delivery of rural credit to the underserved was always a challenge in agricultural lending. To address this, your Bank has introduced a digital version of the Kisan Credit Card scheme in association with Reserve Bank Innovation Hub (RBIH), which presents a new experience to the farmer in terms of credit delivery. The entire process, which is a paperless, seamless one, takes the farmer through a digital journey starting from onboarding the customer to disbursement of the loan. The loan is delivered to the doorstep of the farmer within 5 minutes. Agricultural advances of your Bank have registered a growth of 21% in FY 2022-23 and stood at ₹ 23,355 Crore as on March 31, 2023, against the base figure of ₹ 19,228 Crore. Your Bank is committed towards giving additional focus on this sector which holds a significant place in the Indian economy. Your Bank continued its focus on priority sector lending overachieving the targets for Priority sector and Agriculture lending.

Gold Loan

Your Bank's gold loan business registered a growth of 15% earning a yield of 10.14%. Your Bank launched a unique digital lending platform 'FedGold@Home' that enables seamless integration with multiple partners for offering doorstep gold loans. The platform is compliant with digital lending guidelines. Your Bank launched innovative gold loan products and reached out to customers at their doorsteps offering gold loan services in partnership with fintech partners.

Micro lending through Business Correspondents (BCs)

With the motto of 'extending credit where credit is due', your Bank has been redefining the Micro lending portfolio in an awe-inspiring journey to becoming the "Most Admired Bank". Your Bank has always prioritised Financial Inclusion. Through various initiatives driven through both Branch and Business Correspondent (BC) channels, your Bank is bringing the unbanked under the financial umbrella.





MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

Upholding the vision of RBI and in compliance with Bank's Board approved policy on engaging Business Correspondents, your Bank now boasts of a network of eleven Corporate Business Correspondent tie-ups across selected geographies, exclusively for sourcing and servicing of the Microlending portfolio. It is a matter of pride for your Bank that four Corporate BCs were onboarded in FY 2022-23. In FY 2022-23, your Bank could onboard more than 3 Lakh new customers with a total business of around ₹ 1,200 Crore through these Business Correspondent tie-ups.

Your Bank's exclusive Loan Origination System for the Micro-Lending Department, FEDMI, has been instrumental in bringing in more than 50% of the business.

Financial Inclusion

Financial Inclusion initiatives aim at extending financial services to the large unserved population of the country to unlock their growth potential. Your Bank has always been a forerunner in its determination to achieve inclusive growth by ensuring the availability of financial services to the poor. Your Bank is committed to bringing the unserved population of the country into the formal ambit and offering new lending avenues to this group through various Financial Inclusion initiatives.

Financial Literacy through rural branches and Financial Literacy Centres (FLCS)

Your Bank understands that business exists in the society and therefore, social sanction is of utmost importance when it comes to their survival and growth. Social commitment, is, therefore, an extremely important aspect of any business.

Your Bank has pioneered initiatives including organising financial literacy classes by the branches to spread financial awareness amongst the masses. Currently, 175 Rural branches of your Bank conduct financial literacy campaigns regularly for all segments of the general populace including women, senior citizens, self-help groups, school children, etc.

Federal Ashwas Financial Literacy Centres (FAFLCs) are the face of your Bank's commitment to providing free, unbiased, fair, and coordinated financial education through financial literacy classes as well as credit counselling. These Centres continue to serve as an extremely efficient and effective provider of financial literacy in rural and semi-urban areas. Your Bank's FAFLCs ensure that the target segments, which includes farmers, micro & small entrepreneurs, self-help groups, senior citizens, and school children, are provided a deeper insight into various Banking products and initiatives, without bias. Your Bank's FLCs organise 'Going Digital' camps regularly for the rural populace to create general awareness about Digital Banking as well as Digital payment services in the banking industry.

During the financial year that ended March 31, 2023, FLCs could conduct around 2,378 literacy classes and provide financial counselling to needy people. FLC Counsellors regularly participate in Block Level Bankers' Committee (BLBC), District Level Review Committee (DLRC) and other meetings convened by the lead bank/ SLBC through both Offline and online modes. Around 75 online sessions and 1,347 counselling sessions (including Tele counselling) were undertaken by these centres during the FY 2022-23, benefitting more than 1.50 Lakh people.

Your Bank has participated in the Financial Literacy Week (FLW) observed by RBI from February 13 to 17, 2023 across the country. The theme for FLW 2023 was "Good Financial Behaviour - Your Saviour", which is one of the strategic objectives of the National Strategy for Financial Education 2020-25 with a focus on Active Savings, Planning and Budgeting as well as Prudent use of digital financial services.

During the financial literacy week, your Bank conducted the following activities:

- Branches displayed posters on the FLW-2023 theme in English, Hindi & other regional languages at prominent places within the branch premises and distributed FLW-2023 leaflets to customers.
- Displayed the FLW-2023 theme on the Bank's website, Mobile application, and digital display/notice boards deployed in the branches and all the ATMs of the Bank.
- Conducted financial literacy classes through Financial Literacy Centres (FLCs) of your Bank during the FL Week.
- Financial Literacy Centres (FLCs) of your Bank conducted special camps on each day of the FLW-2023 while focusing on the key theme - 'Good Financial Behaviour - Your Saviour'.

Your Bank offers Pradhan Mantri Jan Dhan Yojana (PMJDY) accounts to the public with an overdraft (OD) facility available to eligible customers (mainly to weaker sections & low-income household groups), up to ₹ 10,000/-, with an objective to ensure access to financial services, namely savings & deposit accounts, remittance, credit, insurance and pension in an affordable manner. The PMJDY scheme is a zero-balance Bank account with added RuPay debit card and comes with free accidental death insurance cover of ₹ 2 Lakhs. To date, your Bank has opened more than 6,23,678 PMJDY accounts with an outstanding balance of ₹ 342.21 Crore. The average balance in PMJDY accounts as on March 31, 2023, is ₹ 5,486.98/-.

Aadhaar and mobile seeding in PMJDY accounts with your Bank is 88.80% and 96.10% respectively as on March 31, 2023.



MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

Your Bank actively promotes the PM's social security schemes (Pradhan Mantri Suraksha Bima Yojana (PMSBY), Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) and Atal Pension Yojana (APY) launched by the Government of India in 2015. The PMSBY and PMJJBY schemes provide low-cost insurance benefits to the public for death or disability due to accident and for death due to any reason respectively. Atal Pension Yojana (APY) is the Government backed pension scheme provided to the unorganised sector.

To date, your Bank could help around 780 families of our deceased customers who joined the low-cost insurance schemes (PMJJBY and PMSBY) by settling claims amounting to ₹ 15.60 Crore.

TREASURY & MARKETS

Your Bank's Treasury manages the crucial functions of maintaining the statutory reserve and liquidity ratios, as well as managing the liquidity of the Bank by raising resources required to support the credit book and deploying the surplus resources optimally. Apart from liquidity management and reserves maintenance, Treasury manages the Investments and utilises the trading and arbitraging opportunities across different markets. Also, the unit provides hedge and cover operations for both proprietary and its clients for the foreign exchange and interest rate risks. The Treasury dealing room is located in Mumbai with a disaster recovery site at Cochin and your Bank has dedicated full-fledged dealing desks in the major segments namely, Foreign Exchange Interbank and Treasury Sales, Derivatives-Currency Options / Cross Currency Swaps / Interest Rate Swaps, Currency Futures, Interest Rate Futures, Overnight Index Swaps, Non-Deliverable Forwards. Domestic - Money Market, Government Securities, Bonds and Debentures, Certificates of Deposit, Commercial Paper, Interest Rate Swaps and Equity. The Non-SLR desk of your Bank has actively started building the NSLR portfolio and is continuously striving to improve the process and system of the bank to account for the cost of funds. Your Bank is also providing a web-based trading platform and intraday trading facilities to clients in the CSGL segment. Treasury activities are further being augmented by a robust Front Office System which efficiently captures all the front-end dealings of the Bank and has a robust risk management and monitoring capability. This ensures total automation of the treasury activities and its seamless integration with your Bank's core banking system.

The Treasury Sales Team, spread across the country collaborates with the coverage team and provides tailored risk management solutions and help our diverse clients hedge their risks arising from foreign exchange or interest rate exposures. Your Bank is a preferred banker of Choice across segments through best-in-class service delivery, customised solutions and optimum use of technology. The Bank's key strength in providing structured risk management solutions, hedging advisory and execution skills makes it a preferred Treasury solutions provider to the clients. The Interbank desk of your Bank is catering close to 21% of inward remittances into India. The Derivatives Desk of your Bank has significantly expanded its Treasury product basket, thereby bringing in a diversified revenue stream, besides significantly adding value to the existing customer relationships. The extensive usage of data analytics in understanding customer business has also helped your Bank in increasing the Forex business through its branches.

The Financial Institutional Group (FIG) team manages the correspondent banking ecosystem of the Bank and ensures a smooth flow of cross-border transactions. Incrementally, it spearheads discussions with Institutional Clients, viz. Banks, Insurance Companies, Mutual Fund Companies, Alternate Investment Funds (AIFs) & other clients of institutional nature for wider engagement and treasury business opportunities.

The Bank has been giving thrust to the development of the forex business and is continuously working to improve the operating skills of relevant personnel through meetings, interactions and training programs. Your Bank is also at the forefront of conducting Foreign Exchange Dealers Association of India (FEDAI) training programs for the banking fraternity. This enables the designated branches to improve their operating efficiency substantially. Your Bank holds a position on the Board of FIMMDA and also is a member of the Managing Committee of FEDAI and FAI.

FEDERAL BANK – IFSC BANKING UNIT (IBU)

Your Bank opened its IFSC Banking Unit (IBU) at India's first International Financial Service Centre (IFSC) located at GIFT City (Gandhinagar, Gujarat) in November 2015. IFSC in GIFT City is conceptualised and designed at par with other global financial centres operating in various parts of the world viz. Hong Kong, Dubai, Singapore, etc. The branch is like an overseas branch situated in an overseas jurisdiction, enabling your Bank to explore international business opportunities.





MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

Various products offered and activities handled by the Federal Bank IBU are:

- Credit facilities to overseas companies, Wholly Owned Subsidiaries (WOS)/ Joint Ventures (JV) of Indian companies registered abroad.
- Deposit and loan facilities to Retail Individuals, including Non-Residents Individuals.
- External Commercial Borrowings (ECB), Trade Credit to Indian Entities.
- Acceptance of foreign currency corporate deposits.
- Treasury operations.

With the opening of IBU, your Bank caters to both domestic and international clients for their various funded and non-funded banking requirements in multiple jurisdictions. IBU has undertaken transactions with clients across various geographies covering more than 20 countries. IBU boosts the balance sheet of your Bank by empowering it to extend various foreign currency facilities to entities and individuals across various foreign jurisdictions. Your Bank also participated in facilities in Foreign Syndicated Loans to large corporates. It also extends facilities like External Commercial Borrowing (ECBs), Trade Credit facilities, etc to resident entities. Federal Bank IBU has executed transactions in various segments like pharma, manufacturing, metals, media & entertainment, health care, electrical, food, construction, retail, etc.

DIGITAL & TECHNOLOGY

Your Bank's Digital Journey is progressing well with the adoption of the latest technology and your Bank continues to ensure Digital innovation and is focused on launching new products to enrich the customer experience. 90% of the Bank's transactions are done through Digital mode and more than 80% of the accounts are opened digitally. Bank's UPI transactions recorded an increase of 139% for the FY 2022-23.

Bank is making use of the latest technologies such as Artificial Intelligence, Machine Learning & Blockchain to gain faster and deeper insights and make better and quicker decisions in order to offer personalised, contextual offers and services in real-time. Your Bank is focused on building simple, frictionless, safe, secure, and engaging experiences seamlessly across any channel.

Your Bank is future-ready and has tied up with nearly 75+ Fintech's and most of the processes have been automated, wherein 285 processes are running under Robotic Process Automation mode. Your Bank is also working very closely with Reserve Bank Innovation Hub for launching innovative products

to improve credit flow to newer and underserved customer segments and digitising further areas of Banking operations.

Bank's various channels such as FedMobile, FedNet and FedCorp are getting revamped considering the increase in the volume of transactions and the need to provide newer functionalities to make it convenient for the customer to carry out Digital transactions. FedMobile, the mobile banking application for the retail customer is being widely used and accepted by the customers and the Mobile Banking monthly volume of your Bank has surpassed ₹ 18,000 Crore as of March 31, 2023. The usage of the Mobile Banking App has increased by 26% in volume for FY 2023. The increase in transaction count is 35%. Improving the customer experience was the primary focus of your Bank which resulted in the improvement of the Playstore rating of the FedMobile App by customers from 3.9 to 4.5. Launching credit cards for NTB customers was a major feature addition along with many other feature improvements.

During FY 2022-23, Bank launched the following Digital initiatives

Facility for Direct Tax, GST and Customs Duty Collection

Bank has integrated with the Government of India's Direct Tax, GST and Customs Departments for collection of Taxes and customs duty through Digital mode. As an empanelled Bank, Federal Bank offers a wide range of payment services to taxpayers, including online payment through net banking, UPI, debit card and credit card. The Bank also provides a hassle-free payment experience to taxpayers by ensuring timely processing of payments and providing instant payment confirmation. Overall, the empanelment of Federal Bank by CBDT, GST and Customs Department is a testament to the Bank's commitment to providing quality payment services to its customers and supporting the Government's efforts in Digitising its revenue collection.

Feddy

Bank's Chatbot Feddy has gone live for A/c balance inquiry and has started offering a Live Agent facility to the customers and is the first Bank to offer such a facility. The customers who need support will be directed to the Live Agent for gathering further information and resolve their queries if they remain unanswered through chat mode.

SoftPos

Bank has launched a mobile application-based solution, which enables merchants to accept payments through merchant's own cell phones with NFC capability. It is comparatively less expensive than hardware-based POS and offers greater



MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

convenience due to its size and mobility. SoftPOS provides a wide range of payment modes to merchants such as Tap N Pay (card-based payment), Dynamic QR & Payment Links.

Digital Personal Loan

Bank has launched a Digital Personal Loan platform that will cater to both New to Bank (NTB) and Existing to Bank (ETB) customers. The end-to-end customer journey from onboarding the customer to the disbursement of the loan is done digitally without manual intervention. The disbursal is ensured 24x7. Bank has also tied up with Paisabazaar for offering Personal Loan to its customer through digital mode.

Facility for Current A/c Opening

Your Bank has launched a Digital Current Account Opening Application which is configured with various identity and address verification tools (Viz, UIDAI, NSDL PAN, GSTN Verification and FSSAI). The portal is enabled for opening Current Accounts of Sole Proprietors and Individuals through an assisted mode and will ease the process of opening Current Accounts by the branches of the Bank.

Digital Banking Unit (DBU)

Bank has set up a Digital Banking Unit (DBU) at Salt Lake (North 24 Parganas District) of West Bengal as part of the Azadi ka Amrit Mahotsav initiative of the GOI and the unit was inaugurated by our Hon'ble Prime Minister via a Video Conference on October 16, 2022. The DBU will help the customers in undertaking a host of Banking transactions including account opening, Cash and Cheque Deposits, Cash Withdrawal, KYC updation and various other day-to-day banking functions through a DIY mode. Currently, Bank is providing more than 20 services via DBU.

Mobile Banking Unit

Bank's Mobile Banking Vehicle "BankOnTheGo" was flagged off on August 17, 2022. Three Banking Kiosks have been set up in the Vehicle, to help the public to carry out many banking functionalities viz. creation of deposits, transfer of funds, passbook printing, cash withdrawal/deposit, etc. The services are currently provided in Madurai and Lucknow.

Digital KCC

In Association with Reserve Bank Innovation Hub (RBIH), Bank launched an instant Kisan Credit Card facility. This will ensure end to end digitalisation of KCC lending. The digital loan scheme, the first of its kind in Agriculture lending will offer a new experience to the farmers when compared to the conventional method of lending, in terms of convenience and turn-around time. The platform has built-in capabilities

to enable an end-to-end digital and paperless journey. The platform uses digital capabilities such as e-KYC and e-Sign, APIs (Application Programming Interfaces) developed by the TN-eGA and machine learning capabilities. The facility aims at providing small-value loans to small & marginal farmers and is designed to facilitate efficient credit flow to unserved and underserved rural populations.

Cross Border BBPS

Your Bank became the first Bank to launch Cross Border BBPS services in association with NBBL. This facility will facilitate NRIs to undertake utility, education and other bill payments on behalf of their families in India. This will also facilitate the payment of bills of any biller on-boarded on the BBPS Platform in an interoperable manner.

New partnership for sourcing NRE Accounts

Your Bank has partnered with Mashreq Neo to offer savings accounts to UAE Customers. "Federal Mashreq Neo" is a real-time online NRI account opening facility, the first of its kind in India.

The NRI account opening project is an end-to-end digital flow, where Mashreq will offer the option to open a Federal Bank NRE account using the Mashreq Neo app to its Indian clients. The system is active 24x7 and can be accessed from anywhere anytime.

Micro Lending Platform- FEDMi

As part of bringing process improvements in Banking Correspondent (BC) driven Micro Lending, your Bank has launched a technology platform – FEDMi (Federal Bank's exclusive tech platform for Microlending). FEDMi is engaged as a common platform for facilitating Micro Lending through BCs. FEDMi, through its Mobile & Web mode, facilitates the automation of various processes right from loan sourcing to loan collections, replacing the present manual mode of Loan Origination System (LOS) and Loan Management System (LMS). FEDMi, which is integrated with your Bank's Core Banking Solution through API calls, eases the process of onboarding clients, opening of accounts, disbursements, and field collections. Overall, it helps in effective Credit delivery at reduced TAT with minimum operational expenses.

FedGold@home

Your Bank reaches out to the Customer's doorstep to offer Gold Loans through its Banking Correspondents (BCs). The onboarding of Customers is done by the BCs by collecting the documents and gold ornaments from the Customer's residences





MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

or places of business. This model envisages instantaneous credit of loan amount to the customer's account and delivery of gold ornaments back at his doorstep on loan repayment. Reaching out to the customers at their doorstep using a low-cost model is made feasible by adopting a technology platform and by engaging Business Correspondents.

FINTECH PARTNERSHIPS -

Fostering new Partnerships in the Open Banking Era.

The Indian FinTech Ecosystem is maturing and has seen a lot of success for companies who have focussed on cutting-edge technology, innovating for better customer experience, simplifying product delivery and ensuring relentless focus on regulatory compliance. Emerging models will likely see traction on the back of the phenomenal public-private infrastructure that is evolving in financial services. The regulatory framework is also striking a fine balance between innovation, compliance, data privacy and security. There has been a strong demand for partnering with FinTech firms for solving some of the challenges in the BFSI.

Your Bank is the most preferred Banking Partner for FinTech in the country where the FinTech makes use of the state-of-the-art API/Open Banking capability and business knowhow of the Bank while making a contribution in terms of the use of cutting-edge technology to create innovative products and enabling a hyper-personalised customer experience.

FY 2022- 23 saw your Bank partnering with multiple FinTech Companies for customer acquisition in Savings, Personal Loans, Gold Loans, Bovine Loans, Remittances and Payments, as a part of the strategy to grow business.

A few partnerships that commenced in FY 2022-23 are:

INDmoney (Savings accounts + Fixed Deposits + Outward Remittances)

INDmoney is a super app that allows customers to track all their investments in one place while allowing customers to make investments in various instruments like Mutual Funds, Stocks, Bank Deposits, etc. With the partnership with the Bank, INDmoney is offering Fixed Deposits and Investments in US Stocks where customers can open a savings account with your Bank and then make the desired investment choice. The partnership is expected to enable your Bank to acquire a good number of investment-savvy customers and strengthen its retail deposit portfolio. The partnership is expected to bring more business and cross-selling opportunities for the Bank as we progress with more features and products.

Paisabazaar (Personal Loan):

Paisabazaar Marketing and Consulting Private Limited is a marketplace for financial products that allow customers to access various financial services suiting their needs. We have partnered with Paisabazaar to offer digital personal loans to the customers who visit the Paisabazaar marketplace. The partnership has helped your Bank to acquire a good number of high-quality credit customers and has clocked very good growth in the personal loan portfolio ever since the launch. The digital personal loan arrangement was launched in full compliance with the guidelines on digital lending.

Epifi Technologies Private Limited (Personal Loan):

We had gone live with the partnership with Epifi Technologies Private Limited in December 2022 to source digital personal loans to Existing- To- Bank customers. Your Bank had partnered with EPIFI to source new savings accounts, and this is the first major cross-selling program that your Bank has launched on the existing set of customers onboarded through a Fintech Partner. Your Bank is in the process of launching many products including Credit cards and Outward remittances through this partnership.

Empowering the Milk farmers in rural areas of Gujarat State (Digivridhhi Technologies Private Limited):

We launched our partnership with M/s Digivridhhi Technologies Private Limited (DGV) as a digitalisation project in Gujarat for automating the payment lifecycle of farmers who supply milk to the Gujarat Co-operative Milk Marketing Federation. The farmers now get the credit in their savings account after they supply milk to Amul. This has enabled the farmers to have digital footprints, and this is allowing them to have access to credit from the formal banking ecosystem at lower interest rates. Farmers can now get personal loans, farm loans, bovine loans, credit cards, bovine loans, etc as they now have sufficient digital data to prove their income.

Your Bank has now launched a Digital Bovine Loan for farmers for buying bovine/cattle from a digital bovine/cattle marketplace exclusively created for the farmers, in partnership with DGV. Farmers can get cattle loans at their doorstep digitally and instantly. When a farmer expresses interest in buying cattle, a relationship manager visits the farmer and completes formalities like biometric account opening, digital loan sanction and digital document signing in a matter of few minutes and the farmer's milk pouring data is used to underwrite the loan. The payments are directly credited to the seller once the bovine is handed over to the borrower(buyer). This is a first-of-its-kind digital bovine loan in the country, linked to an online digital bovine marketplace where the farmers can buy and sell healthy cattle and get instant loans as well.



MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

While we continue to onboard new partnerships that would help your Bank in customer acquisition and distribution, your Bank is also working with existing partners to enhance the customer value proposition and upsell and cross-sell. We have launched many services to existing customers who have been onboarded through Fintech Partnerships and continue to work with the Partners for new products and services.

CREDIT HEALTH MANAGEMENT

The Credit Administration Department ensures the credit administration functions of your Bank for borrowers with aggregate exposure of ₹ 2 Crore and above for zones in the State of Kerala and ₹ 1 Crore and above for the rest of India. The Department ensures compliance with all pre-disbursal covenants of credit sanctions and error-free documentation before disbursing a limit. The Department prepares the documents as per sanction terms, verifies the executed documents once they are submitted for setting up of limit, and ensures the creation of charge and perfection of securities within the stipulated timeframe through regular follow-up. The Department also regularly follows up and ensures proper compliance with post-disbursal covenants of credit sanction. Further, the Department ensures the sufficiency and protection of underlying assets and also ensures that the securities are updated and revalued at regular intervals. The Department constantly reviews existing processes to identify process improvements and endeavours digitisation of such processes for ensuring an excellent turnaround time.

CREDIT MONITORING

The preservation of asset quality is of paramount importance for your Bank and the Credit Monitoring Department deploys various tools to closely monitor the credit health of the portfolio on an ongoing basis. The Department has put in place defined systems, procedures and practices, and developed various tools for gathering and analysing data from internal as well as external sources. To stay sharp and relevant in the dynamic socio-economic environment, your Bank's Credit Monitoring Department is continuously upgrading its tools. Identifying stress during the nascent stage and initiating prompt corrective actions based on the data analysis forms the crux of the credit health management process. Thus, stressed situations are identified well in advance and corrective action plans are implemented wherever required. Asset quality and credit discipline with compliance culture on an ongoing basis is ensured by your Bank through an end-to-end monitoring process by the Credit Monitoring Department.

ASSET QUALITY MANAGEMENT

Gross NPA as a percentage of Gross Advances of your Bank stood at 2.36% and Net NPA as a percentage of Net Advances of your Bank stood at 0.69%. Your Bank strengthened its Balance Sheet by increasing the Provision Coverage Ratio (including technical write-offs) to 83.49%.

Your Bank has managed its NPA portfolio prudently and relentlessly improved its collection and recovery architecture to improve its asset quality. Different collection activities were initiated based on the risk profile of borrower. Your Bank has used various analytical tools to predict the propensity to default and the collection score of the borrowers. Collection strategies were formed based on these analytics-driven reports. Your Bank has strengthened the collection mechanism through increased team strength and improved partnerships. As part of further strengthening, it has centralised sending demand notices under SARFAESI Act. Enhanced use of digital tools and analytics have also helped your Bank to maintain one of the industry best collection practices and efficiencies. Your Bank has recorded the highest ever recovery and upgradations in NPA accounts during FY 23 and contained credit cost at 0.40%.

RISK MANAGEMENT

The Risk Management philosophy of your Bank is to take risk by choice, rather than by chance. Your Bank seeks to build scalable and resilient businesses by strictly adhering to the best risk management practices. Your Bank is exposed to various risks, that are inherent to any banking business. The major risks are credit risk, market risk including interest rate risk, liquidity risk, information and cyber security risk and other operational risks. Your Bank has a robust risk management framework in place, which covers the policies, procedures, methodologies and framework established to systematically manage these material risks.

- The Board of Directors oversees and approves the risk policies and strategies to establish an integrated risk management framework and control system in your Bank.
- The Risk Management Committee (RMC) of the Board oversees the management of various risks associated with business, systems, and processes.
- Executive Level Committees ensure the effective implementation of risk management policies.
- Integrated Risk Management Department headed by the Chief Risk Officer coordinates various risk management functions of your Bank.





MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

- An independent risk governance structure has been put in place, duly ensuring the independence of risk measurement, monitoring and control functions.

The risk management framework is subjected to review and upgradation on an ongoing basis, in tune with regulatory guidelines and best practices in the industry. To focus on maximization of risk adjusted return on capital, your Bank has aligned its business strategies to a Risk Appetite Framework. A risk-based pricing framework has been implemented for the pricing of loans to evaluate returns vis-a-vis risks taken.

Credit Risk Management

Macro factors such as a slowdown in economic growth, high inflation, imbalances in the economy, the stress in certain industries, etc and micro-level factors such as borrower-specific issues, poor underwriting standards, inadequate monitoring, weak collection and recovery mechanism, etc are some of the few factors that contribute to the credit risk of a Bank. Your Bank has a robust system to monitor such developments and take remedial actions.

Your Bank has a centralised credit risk management division, independent of its business functions. It has strong credit appraisal and risk management practices in place for identification, measurement, monitoring, controlling, and reporting credit risk.

Further, your Bank has a distinct credit risk architecture, policies, processes, and systems for managing credit risk in both its retail and wholesale businesses. Credit risk policies approved by the Board, best industry standards and risk controls are followed while extending credit to the borrowers. Wholesale lending is managed on an individual as well as portfolio basis. In comparison, Retail lending, due to the granularity of individual exposures, is managed largely on a portfolio basis across various products and customer segments. Credit risk is meticulously managed by capping exposures based on the individual borrower, group, industry, credit rating grades and geography, amongst others.

For both categories, there are robust follow-up and monitoring mechanisms including an automated EWS system in place to ensure credit quality and minimise defaults. Your Bank has a comprehensive risk rating system that serves as a single-point indicator of diverse risk factors of counterparty. Robust statistical scorecards are used in the retail credit appraisal process. Your Bank also uses Behavioural/transactional models for monitoring the transaction behaviour of retail loans, including MSME and agricultural loan accounts. Commercial/

Wholesale Borrowers are subjected to credit rating and loans are granted only to those borrowers falling within defined thresholds of risk levels.

Your Bank follows a policy of portfolio diversification and evaluates its total financing exposure to a particular industry in the light of its growth forecast and profitability. Your Bank's Credit Risk division monitors all major sectors of the economy and specifically tracks industries in which your Bank has credit exposures. Your Bank also has a framework for managing concentration risk with respect to single borrower and group exposures, based on the internal rating and track record of the borrowers. The exposure limits for lower-rated borrowers and groups are substantially lower than the regulatory limits. Your Bank reviews the performance of major sectors in the economy on a periodical basis and identifies the sectors which are in stress / expected to be in stress. Such sectors are internally classified as stressed and additional exposures to such sectors are not normally entertained.

Your Bank has framed an Environmental and Social Management System (ESMS) policy to ensure that more focus is provided for lending to environmentally and socially sustainable projects. Environmental and social risks posed by the business activities of the borrowers are assessed at the time of underwriting of the loan proposal and suitable corrective actions are stipulated, wherever required, to mitigate such risks.

Your Bank is continuously reviewing and validating the credit rating models/scorecards for their appropriateness and predictiveness. As part of upscaling the high margin credit portfolios, your Bank has been transitioning to state-of-the-art look-alike rating models using Bureau inputs for both secured and unsecured facilities for arriving at the best-informed Credit decision. Credit risk management in your Bank, through its various policies, risk-assessing tools and risk-mitigating measures, ensures robust credit growth with superior asset quality. Stress levels are periodically benchmarked against the peer group as part of continuous monitoring and to take appropriate remedial measures. Your Bank also ensures on a regular basis that stress is contained within the risk tolerance levels fixed for each business segment.

Your Bank has formed a dedicated Market Intelligence Unit with a focus on large borrowers to facilitate the collection and processing of multiple sources of information with an objective to preventing adverse selection of borrowers and throw up early warning signals of possible fraud or credit risk, both at the sanctioning stage and through the lifecycle of the credit relationship.



MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

Macroeconomic models are overlaid on the internal ratings to capture the challenges emanating from external environments, during which the economic activities become highly dynamic and volatile. Your Bank conducts stress testing of the portfolios and ensures necessary remedial actions, wherever warranted.

Currently, capital charge for Credit risk is computed using the standardised approach. RBI guidelines on Basel III capital regulations have been implemented and your Bank is sufficiently capitalised as per the current requirements under Basel III. Your Bank is gearing up for migration to ECL regime as and when announced by the Regulator.

Market Risk Management

Market Risk arises largely from the Bank's statutory reserve management and trading activity in interest rate instruments, equity and forex market. Your Bank has a well-developed framework, comprising of Board approved policies and established practices, for the management of the market risk. Your Bank has set risk appetite and Value at Risk (VaR) limits to measure and control interest rate risk, equity price risk, forex risk, liquidity risk and other market-related risks. Your Bank is using various tools like stress testing, modified duration, PVBP, VaR, position limits, loss limits, NOOP limit, AGL, etc to monitor and contain market risk. It has established an independent Mid Office on the floor of Treasury, as part of the Market Risk Division, which reports to the Head of Market Risk and functions as the risk control unit for the activities of Treasury and IBU. Your Bank's Market Risk Division monitors key parameters on a periodic basis and recommends changes in policies, processes and methodologies. The Mid Office scrutinises treasury deals and transactions from both market risk and operational risk perspectives. Your Bank has put in place detailed policies for the conduct of business, exposure to market risk and effective management of all market risk exposures. The policies and practices also take care of monitoring and controlling liquidity risk arising out of its banking book, trading book and off-balance sheet exposures.

Currently, capital charge for market risk is computed under the Standardised Duration Approach. Value at Risk (VaR) is the tool used for monitoring risk in your Bank's trading portfolio. The VaR and Stressed VaR for market portfolios are monitored daily.

Liquidity Risk Management & Interest Rate Risk Management

Liquidity risk is the potential inability to fund an increase in assets, decrease in liabilities or meet obligations as they fall due, without incurring unacceptable losses. Your Bank monitors Liquidity Risk through Liquidity Coverage Ratio (LCR), Structural Liquidity Gaps, Dynamic Liquidity monitoring, Liquidity Ratio analysis, prudential limits for negative gaps in various time buckets, etc.

Interest rate risk is the risk where changes in market interest rates affect the Bank's earnings through changes in its Net Interest Income (NII) and the market value of equity through changes in the economic value of its interest rate sensitive assets, liabilities and off-balance sheet positions. Interest Rate Risk on Trading Portfolios is monitored through Market Risk Measurement tools such as VaR, PVO1, etc on a daily basis.

The policy frameworks for the management of liquidity risk and interest rate risk are established vide the Bank's Asset Liability Management Policy. Your Bank has established appropriate risk appetite limits and other tolerance limits for both liquidity risk and interest rate risk. While the maturity gap and stock ratio limits help manage liquidity risk in your Bank, regular assessment of its impact on the NII and economic value help mitigate interest rate risk. This is complemented by a stress testing program covering both liquidity and interest rate risk. Your Bank conducts various studies to assess the behavioural pattern of non-contractual assets and liabilities and embedded options available to customers, which are used while managing maturity gaps. Further, your Bank also has the necessary framework in place to manage intraday liquidity risk. Your Bank's Asset Liability Management Committee (ALCO) is responsible for monitoring its adherence to liquidity risk and interest rate risk limits.

Liquidity Coverage Ratio (LCR), a global standard to assess an organisation's ability to meet its payment obligations, is used as a measure to assess your Bank's liquidity position. LCR level ensures that the Bank has an adequate stock of unencumbered High-Quality Liquid Assets (HQLA) that can be converted into cash easily and immediately to meet its liquidity needs under a 30-day calendar liquidity stress scenario. Based on Basel III norms, RBI has mandated a minimum LCR of 100% from January 01, 2019. Your Bank's LCR as on March 31, 2023, stood at 123.10% and the average LCR was at 128.12% for the quarter ended March 31, 2023.

RBI has also mandated a minimum Net Stable Funding Ratio (NSFR) of 100% with effect from October 01, 2021. NSFR indicates that the Bank maintains a stable funding profile in relation to the composition of its assets and off-balance sheet activities. As a prudent risk management practice, your Bank has been monitoring this ratio on a periodical basis, to ensure that your Bank is maintaining the ratio above the benchmark stipulated by RBI. Your Bank's NSFR as on March 31, 2023, stood at 137.32%.





MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

Operational Risk Management

Your Bank has a comprehensive framework comprising policies, processes and systems for the measurement and management of operational risks. Operational risk is primarily managed by prescribing adequate controls and mitigation measures, which are being reviewed and updated regularly, to suit the changes in business practices, structure and risk profile. Your Bank is identifying and assessing operational risk through Risk and Control Self Assessments (RCSA) and monitoring of Key Risk Indicators (KRI). New products and processes or any modifications to existing products and processes are vetted to identify and understand the nature and degree of the risks your Bank would be exposed to, and suitable checks and controls are implemented to mitigate such risks. Your Bank has also put in place a fraud prevention framework, whereby various transactions are monitored by dedicated teams from the angle of fraud risk and Anti Money Laundering (AML).

Business Continuity Management

Your Bank has put in place a comprehensive Bank-wide Business Continuity Management (BCM) plan and procedure to ensure the continuity of critical operations of the Bank in the event of any disaster/ incident affecting business continuity. Your Bank's Business Continuity Program is developed considering the criticality of the functions performed and the systems used. In terms of the Business Continuity Management Policy approved by the Board, Business Continuity Management (BCM) Committees have been formed at all units of your Bank, which act as a Primary Crisis Management Team in the event of any business disruption. A Central Crisis Management Team (CCMT) is in place to take responsibility and act swiftly in case of any breakdown/ failure of critical systems, or occurrence of natural disasters/ accidents/pandemics affecting business continuity. Periodic drills and tests are conducted to evaluate the effectiveness of the business continuity arrangements and necessary steps are taken wherever needed.

Your Bank has received ISO 22301 certification for the Business Continuity Management System implemented in its IT, centralised operations and clearing functions.

Information security & Cyber security

Your Bank has a robust information and cyber security framework for securing its IT infrastructure and systems. The Information Security Team headed by the Chief Information Security Officer (CISO) formulates and periodically reviews the information and cyber security policies and practices. Your Bank has a Security Operations Centre (SOC) which performs security

monitoring around the clock. Dissemination of information and cyber security awareness among the staff and customers is undertaken regularly through various modes. Your Bank has received ISO 27001 accreditation for its critical IT areas including Data Centre, DR Site, ATM Switch, etc. Your Bank has also received the PCI-DSS certification for its card payments infrastructure.

Internal Financial Controls

Your Bank has put in place a comprehensive internal control framework which is supplemented with appropriate procedures across all its business and support activities. The internal controls implemented are intended to manage/ mitigate the risks, ensure compliance with laws and regulations, and provide reliable and timely financial reporting. Your Bank has sound processes for periodic assessment and review of internal controls. Risk Control Matrices are prepared for all processes and products. Risks inherent in all business/support activities are identified and assessed on a periodic basis. The related controls are also identified and evaluated in terms of their effectiveness. The adequacy and effectiveness of these controls are independently assessed regularly and if gaps are observed, action plans are prepared and implemented by the product/ process owners for remediation of risks and control improvements. These aspects are periodically reviewed by the Operational Risk Management Committee.

Compliance with Basel Framework

Currently, your Bank is using Standardised Approach for credit risk, Basic Indicator Approach for operational risk and Standardised Duration Approach with respect to market risk for the computation of capital charges under Basel guidelines. Further, your Bank is gearing up with data build-up and system requirements for migrating to advanced approaches. The Capital Adequacy Ratio of your Bank as on March 31, 2023, under Basel III norms stood at 14.81%. Your Bank's Common Equity Capital level of 13.02% offers good cushion for further expansion and growth in your asset portfolio and complies with the requirements of Basel III norms. The Capital Adequacy Ratio at the consolidated Bank-level stood at 15.24%. RBI guidelines on Basel III demand the building of capital and liquidity buffers in phases and seek to enhance the minimum core capital, introduce a capital conservation buffer, and prescribe a countercyclical buffer. Your Bank has complied with the guidelines for maintaining Capital Conservation Buffer and is well-capitalised and fully prepared for maintaining Countercyclical Capital Buffer when RBI mandates it. Your Bank has also complied with the Liquidity Coverage Ratio (LCR) prescribed under Basel



MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

III norms. The LCR of your Bank on a consolidated basis as on March 31, 2023, stood at 122.85%. Your Bank's approach to capital adequacy is driven by strategic and organisational requirements while taking into account the regulatory and macro-economic environment. Capital management involves an ongoing review of the level of capitalisation against the set risk appetite and maintaining a strong capital base to support long-term stability, planned business growth and mitigate inherent risks in various businesses. Your Bank endeavours to maintain a strong Tier I capital position as part of the overall business strategy and as a source of competitive advantage. It assures regulators and credit rating agencies while protecting the interests of depositors, creditors and shareholders. Strong capitalisation also enables your Bank to take advantage of attractive business opportunities. Your Bank strives to strike a balance between the need for retaining capital for strength and growth while providing an adequate return to shareholders and sets an internal Capital Adequacy ratio target that includes a buffer in excess of the minimum regulatory requirement. In addition to the regulatory risk-based capital framework, your Bank is also subject to a minimum Leverage Ratio requirement and maintains a Leverage ratio that is higher than the regulatory requirement. Your Bank has a structured management framework in the Internal Capital Adequacy Assessment Process (ICAAP) to identify, assess and manage all risks that may have a material adverse impact on its business/ financial position/ capital adequacy. The ICAAP framework is guided by a comprehensive Board approved ICAAP Policy. ICAAP is aimed to ensure that your Bank maintains capital commensurate to its risk profile and improves upon its risk management systems and framework on an ongoing basis. It involves a realistic assessment of the level of risks inherent in the business operations of the Bank and setting aside adequate capital to cover all such risks. The annual ICAAP is placed before the Board and the Risk Management Committee (RMC). A quarterly review of the ICAAP is conducted and placed before the RMC. The capital management framework is also complemented by the risk management framework, which covers the policies, processes, methodologies and frameworks established for the management of material risks. Additionally, the Board approved Stress Testing Policy and Framework entails the use of various techniques to assess potential vulnerability to extreme but plausible stressed business conditions. Based on the stress testing policy approved by the Board, your Bank conducts stress tests on various portfolios and assesses its impact on the capital ratios and the adequacy of capital buffers for current

and future periods. Your Bank periodically assesses and refines its stress testing framework to ensure that the stress scenarios capture material risks as well as reflect possible extreme market movements that could arise as a result of market conditions and the operating environment.

Environmental & Social Management System

Your Bank has put in place an 'Environmental and Social Management System (ESMS) Policy' for all lending activities as part of strengthening the Bank's commitment to the cause of sustainable development as desired by the Government, regulators and other stakeholders. ESMS policy enables Bank to mitigate the negative environmental and social impacts posed by the lending activities. The policy prescribes an exclusion list i.e., the list of activities restricted for lending operations considering its potential significant impact on the environment and/ or the society. Your Bank has also adopted evaluation of high value proposals against the IFC Performance Standards as defined in the ESMS policy. Detailed E&S Due Diligence (ESDD), internal or external, is conducted for high value project loans/ long term loans falling in certain high E&S risk sectors. Such proposals are classified into one of the three categories (Cat A, Cat B or Cat C) based on the inherent E&S issues associated with the project and the remedial actions /mitigants already put in place/agreed to be put in place by the borrower. Based on the outcome of ESDD, certain proposals also warrant pre-sanction review by MD & CEO level E&S Committee/ Board level committees. Specific E&S covenants, both pre-sanction and post sanction may be prescribed by the committee, if warranted. The Environmental and Social Action Plan (ESAP), thus agreed between the Bank and the borrower is periodically monitored for its compliance. Your Bank has also developed an internal team for conducting E&S due diligence by recruiting E&S specialists on its roll. Effective implementation of ESMS policy helps your Bank to address the E&S risks arising from its lending portfolio in a timely manner.

Covid -19 concerns

The outbreak of the Covid-19 pandemic posed a serious threat to lives and livelihoods across the world and impacted the global economy, including that of India. The impact of the pandemic posed various challenges in terms of aspects like business continuity and asset quality. The RBI and the Government of India came out with various measures to manage the situation and adequate measures were put in place by your Bank to respond dynamically to these challenges and minimise impact. Though the impact has subsided, your Bank is also closely





MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

watching the liquidity position, contingent liquidity position and available sources of funds to meet contingent scenarios, if any, that may arise. The credit quality is assessed under various stress scenarios at close intervals. Your Bank is also closely watching the liquidity position and contingent liquidity position and available sources of funds to meet contingent scenarios are being assessed periodically.

HUMAN RESOURCES

In FY 2022-23, Federal Bank continued to deliver towards its ambitious goal of being the Most Admired Bank and it was possible due to the unwavering commitment, the right skills and the best capabilities of our people. We take pride in our people in the way they have continued to deliver success by consistently contributing towards the growth of your Bank. Our commitment to creating a productive environment at work that is balanced and positive remains our priority as it serves as an enabler for our people to perform at their best, stay happy at work and be healthy as well. Our people practices and strategies have guided us and have served as a catalyst in the process. It is on the ethos of commitment, agility, relationship orientation, ethics and sustainability that we have the heart of our people strategies. The diverse and inclusive environment of our workplaces helps each employee feel valued and stay purpose-driven, these elements have not only strengthened our Rishtas with one another in the organisation, but also helped us focus on delivering the best by engaging, enriching and empowering our people to create a culture that enables to thrive, thereby contributing towards the goal of being a future-ready organisation. The total human capital of your Bank stands at 13,457 at the end of the financial year. The average age of the employees is 36 years, and the current male to female ratio is 59:41. Your bank has achieved a commendably low voluntary turnover rate of permanent employees at 3.75 %.

Enriched, Engaged & Healthy Employees

At your Bank, employees are the core strength and creating employee experiences that are meaningful is a business responsibility and priority; having helped us build pride, trust and commitment towards the organisation. In Federal Bank, we engage through a basket of approaches, and it has always proven to maximise the interconnectedness of the team. These approaches through various tools have been comprehensive and strategically devised, thereby ushered to the social, mental and physical health of employees. We consider employee wellness as an inherent nature of the workplace and is of monumental relevance therefore it has always remained a strategic imperative.

Sunshine – The Employee Volunteering Programme

As a fuel towards supporting and encouraging our employees in creating a sense of responsibility towards the community that we belong, volunteering is the best initiative that can be utilised to stimulate the effort of contributing back to society. On Founder's Day, we rolled out the SUNSHINE program. The name "Sunshine" was thoughtfully chosen - an idea to be rays of sunlight in the lives of people around us in our communities. Through the medium, we intend to provide avenues of service opportunities to our employees thereby a chance to illustrate our core organisational ethos into action. As an organisation that has a holistic approach towards all endeavours that we place ourselves in, this volunteering initiative has not only created a social impact but also has enhanced employee morale.

The PULSE of Federals

PULSE – our employee engagement application was rolled out early this financial year. We incorporated various features that help to connect and communicate better, ensure employee health and well-being and elements to stay tuned with the values of the organisation. Such an application has been necessary for an organisation like Federal Bank which houses in geographically dispersed locations, 13k+ employees to build connections through effective communication and to bring in the best through collaborative work. It has a mission to enrich our employees' lives and our workspaces even better. Thus, in the process of a strong desire towards improvement and to outdo ourselves in the endeavors we do, a ground-breaking and impactful achievement has been attained, being able to integrate Fed-e-HRM into Pulse. It is a testament to outstanding quality, innovation and positive impact.

The Reward Culture

Each of our employees, consistent and determined efforts have been enabling your Bank to climb up the steps towards being the Most Admired. It is the connection and bonding that we share with each other that make the expedition a cherished and smoother one. Your Bank has been considerate and appreciative of all the great work being done by providing premium comforts and thoughtful facilities for the employee and their families. Periodic refinements and improvements of these facilities are ensured by your Bank, which is always the best and most enviable among the peers in the market. Enhancements in various allowances and benefits have been made this financial year as well that would motivate your Bank's employees to contribute their best and perform with passion through wholehearted co-operation and commitment



MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

towards the institution, which in turn has kept the Federal spirit high in each one of us. Further, your Bank through its rewards & recognition program executed at the Zone level recognises professional achievements as a means to foster a culture of appreciation for the extra mile contributions that have been made by your Bank's employees.

Great Place to Work

Your Bank has been conferred with the "Great Place to Work" award for the third time in a row! This is a significant achievement for us and a testament to our commitment to creating a positive and engaging work culture. It is a collective effort that has helped us build a workplace where everyone feels valued, respected, and motivated to perform their best. Your Bank understands that building a great workplace is a continuous effort, and your Bank is committed to ensuring that we maintain and improve our work culture to provide an even better workplace for all our employees.

Talent Acquisition

Our people are our most important asset and so we continue to attract and retain the best talent to achieve the strategic priorities of your Bank. Providing an engaging candidate experience has become one of the key drivers in the design of hiring processes in your Bank, leveraging the technologies of Artificial Intelligence and Machine Learning. Your Bank has well-crafted competency based - objective mechanisms to evaluate the fitment of the candidate – scientifically assessing them on their knowledge, skills, abilities, behaviours, and personality – to ensure a data-driven and holistic view of the candidate.

To win and keep top talent, we provide a workplace culture that encourages employee behaviours aligned with our values, fulfilling their long-term individual aspirations and providing experiences that make individuals feel valued, included and engaged. Diversity and inclusion (D&I) form an integral part of the talent strategy.

Training Highlights FY 2022-23

Building and maintaining a strong leadership pipeline: Our Leadership interventions include Executive Coaching, Leadership Development Programs and Digital Leadership Initiatives. Coaching interventions are long-term in nature and are more focused on personal effectiveness and leadership orientation. This includes group coaching, peer coaching and self-learning. There are exclusive leadership programs designed for Women Executives with blended learning and digital leadership programs.

Programs Instilling Federal Culture and Building Rishta: Aligning with the corporate theme for the FY, a flagship training series "Good to Great" was launched pan-India. In addition to specific role-based functional objectives, the programs focused on instilling the passion, purpose, and confidence for employees to be 'Most Admired Professionals' (Aligning to Banks vision and value framework)

Massive Open Online Course partnerships and eLearning: We have partnered with Coursera Learning for à la carte learning in a continuous and engaging way. 99% of our officers actively participate in our self-paced e-learning programs, which is a testimony to how well our Learning & Development strategy drives Business and Individual Growth because we strongly believe that the Future of Digital is Human. Our Learning Management System provides an immersive experience for our employees via gamified content, digital badges and dynamic learning dashboards thus elevating the impact and quality of learning.

E-academies for Talent Pool: We have launched longer duration blended interventions which include self-learning, training, assessment tests and certifications to build talent pools in functional areas like Forex, Analytics, etc.

Capacity Building Certification Support: To ensure our employees possess the required regulatory certifications, we provided support and reimbursement for select role-specific certification programs.

Upskilling & Scholarship Programs: This FY we have also launched employee scholarship programs for professional courses from premier institutes on Management, Digital and Technology Programs, etc.

Diversity & Inclusion: Women Leadership Certification Programs and focused Executive Development program for women officers by various external partners, in addition to multiple internal women leadership training. Training programs were conducted for ICC members (Internal Complaints Committee) and employees on various aspects of POSH.

Communication & Management Clubs: Tie-ups/ arrangements with Industry partners for Communication upskilling, confidence building and managerial effectiveness for aspiring leaders.

DAKSHA: An online webinar series by external industry experts and stalwarts in industry enabling knowledge sharing.

Master Class Series: An online webinar series by internal resources for tacit knowledge sharing and soft skills.

Podcasts: In this FY, we have released Podcasts focusing on Work-Life Excellence to cater towards our employee's needs.





MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

Compliance through mandatory eLearning programs: Dedicated E-learning drives in all regulatory prescribed areas like Information Security Awareness, KYC & AML Guidelines, Banking Ombudsman, etc to ensure Growth with Compliance. E-Learning on Information Security Awareness was provided to 97.5% of Officers and Non-officers as part of the mandatory learning programs.

Key Statistics 2022-23

- 3.9 Lakh Person Hours of Training
- 99% of Officers participated in self-paced e-learning programs.
- Average 3.7 Days of training per employee

INTERNAL AUDIT

Internal Audit independently evaluates the adequacy, completeness, operational effectiveness and efficiency of all internal controls, risk management/governance systems and processes of your Bank. The Audit Committee of the Board provides direction and reviews the adequacy of the internal audit function, including its reporting structure, staffing, coverage and frequency of audits. The Head of the Internal Audit Department is designated as the “Chief Internal Auditor” of the Bank and reports directly to Managing Director & CEO. An executive-level committee named the “Inspection Review Committee of Executives” headed by the Managing Director & CEO, oversees the audit and inspection functions and reviews the audit procedures and methodologies, the effectiveness of audit systems, progress in completion of audits, risk rating of branches and significant audit findings.

The Audit & Inspection Policy, Information System Audit Policy, Policy on Appointment of Statutory Central Auditors and the Internal Audit Procedure & Guidance Manual, which serve as the basic guidance documents for the Internal Audit function, are subjected to annual review. The review covers appropriate modifications and refinements based on the observations made by the Reserve Bank of India in Risk-Based Supervision, other regulatory guidelines, changes in internal rules and guidelines and directions of the Audit Committee of the Board and the Board of Directors. The review and modifications ensure that the audit systems and procedures are contemporary and continue to be an effective tool for monitoring control and compliance in your Bank. Internal Audit is responsible for self-assessment of the Bank’s internal financial controls by testing and validating the effectiveness of controls on an ongoing basis.

All activities (including outsourced activities) and all entities (including subsidiary companies) of your Bank fall within the

ambit of internal audit. The major audits undertaken by your Bank during the financial year are:

Risk-Based Internal Audit - Your Bank has leveraged Risk-Based Internal Audit (RBIA) as a tool to assess the risks in its processes, operations and the effectiveness of related controls. Risk-Based Internal Audit conducted at branches focuses on prioritising the audits and audit resources based on the level of inherent business risks and control risks.

Information System Audit - Information System Audit collects and evaluates the evidence to determine whether the information system safeguards assets, maintains data integrity and availability, achieves organisational goals effectively and consumes resources efficiently. It focuses on the risks that are relevant to information assets and assesses the adequacy of controls implemented for mitigating the risks. All critical IT infrastructures in your Bank are subjected to Information System Audit by information systems professionals from reputed CERT-IN empanelled external audit firms and Certified Information System Auditors (CISA) of your Bank. Critical Information Systems are subjected to Vulnerability Assessment & Penetration Testing (VAPT) every quarter. In addition to this, Information System Audit covers the physical security of IT systems and business continuity procedures followed at branches/ offices.

Management Audit - Management Audit in your Bank essentially focuses on identifying the adequacy and effectiveness of processes adopted for decision-making in various Head Office Departments of the Bank, Zonal Offices, Large Corporate Hubs, National and Regional Credit Hubs, Loan Collection & Recovery Divisions, your Bank’s Subsidiary Companies, etc. The feedback from management audit is relied upon by the auditee units to improve the processes, procedures and systems in place in such offices.

Offsite Audit - Offsite audit is a forward-looking diagnostic tool to identify gaps in the systems and procedures of your Bank. The entire revenue audit in your Bank is undertaken through Offsite Audit. Your Bank leverages Computer Aided Audit Tools (CAAT) for generating and analysing exceptions while conducting offsite audits.

Concurrent Audit - Your Bank is increasingly relying on ‘Concurrent Audit’ as an early warning system to ensure near real-time detection of irregularities and lapses and also used as a tool to prevent fraud. Your Bank has implemented the revised Concurrent Audit framework, duly approved by the Audit Committee of the Board, as per the RBI circular dated September 18, 2019, with effect from April 01, 2020. During the year under review, Concurrent Audit was in place in 253



MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

branches and 85 offices, covering 59.06% of total advances and 44.42% of total deposits of your Bank. The offices covered under the Concurrent Audit include the Treasury Department, Operations Department, Information Technology Department, Loan Collection and Recovery Department, Zonal Credit Administration Divisions, Depository Participant, International Financial Service Centre Banking Unit, National Credit Hubs, Large Corporate Hubs, Regional Credit Hubs, Centralised Retail Credit Hubs, Corporate Client Service Centres, Retail Assets and Cards, Transaction Banking Department, Digital Centre of Excellence, Regional Cheque Processing Centres, Transaction Monitoring and Fraud Prevention Department, AML Monitoring Department, Credit Monitoring Department, Exceptionally Large Branches and Branches where RBIA risk rating is assessed as “High”. Concurrent Audit is also conducted in all the currency chests as required by the Reserve Bank of India. 314 External Auditors / Audit Firms, 9 Retired Officers and 7 internal audit staff were engaged for concurrent audit assignments during the period.

Due Diligence Audit - A comprehensive Risk-Based Due Diligence of Partners/Service providers is conducted to ensure that they are financially stable, comply with all regulatory norms and have all the required information security controls in place to safeguard the interests of all the stakeholders of your Bank.

The Internal Audit Department is manned by appropriately qualified personnel and has a staff strength of 121 officers (as on March 31, 2023) with expertise and exposure in all activities of your Bank, such as branch operations, credit sanction, credit monitoring, clearing operations, information technology, risk management and treasury operations.

During the FY 2022-23, audits were undertaken at various operating units, considering the audit universe and in tandem with the Annual Audit Plan approved by the Audit Committee of the Board. Data on major audits conducted during the year is as follows:

Type of Inspection/Audit	Number of Audits
Risk-Based Internal Audit	1,017
Information System Audit	1,097
Management Audit	132
Revenue Audit	1,267
Gold Loan Audit	1,936
Credit Audit	1,591
Legal Audit	441
Bi-monthly audits at Currency Chests	54
Audits of outsourced agencies / managed services	205

TRANSACTION MONITORING AND FRAUD PREVENTION

Your Bank is having a fully equipped Transaction Monitoring & Fraud Prevention Department with state-of-the-art monitoring tools working round the clock. The transactions in Core Banking and various online channels are monitored by the Transaction Monitoring Team. We have specific scenarios to monitor the accounts opened through Fintech partnerships. With a special focus on UPI, a new team has been set up to monitor UPI transactions on NPCI's e-FRM tool. Monitoring of POS acquiring, and Payment Gateway (Cards) transactions is also under the purview of the Department, to have holistic control over the transaction monitoring activities of the Bank. A Proactive Risk Manager (PRM) tool has been implemented for monitoring Debit Card transactions. Monitoring of Credit Card transactions is carried out on a dedicated tool – Falcon. Transaction Monitoring Team could identify suspicious online transactions and take immediate remedial measures to prevent further occurrence. The close association with Cyberdome of Kerala Police has been instrumental in preventing many fraudulent transactions and making recoveries to a reasonable extent. Your Bank has associated with the Ministry of Home Affairs on their new initiative of the Citizen Financial Cyber Fraud Reporting Portal. A dedicated team has been set up, which is working on a 24X7 basis, to attend to the cases reported by Police authorities, initiate immediate preventive steps to arrest the further flow of disputed funds and help police authorities in the investigation of financial cybercrimes.

LEGAL COMPLIANCE

In recent times, the legal environment in the country has become very dynamic, with new laws and amendments to the existing laws being enacted at a very brisk pace. In order to cope with this change and to ensure legal compliance, it is imperative that a robust legal risk management process be laid down. The process helps your Bank to mitigate the legal risk which falls under the larger umbrella of operational risk.

Your Bank has a healthy compliance and legal risk management culture. The processes are designed to ensure legal and regulatory compliance and to enable the detection and prevention of any breaches. The Legal Department of your Bank frames processes and controls that can efficiently manage and mitigate the legal risks originating from the daily business transactions of your Bank. Further, your Bank has a well-laid system, which ensures that the documentation process is contemporary and in tune with industry standards, thus minimising the menace of legal risk, and in the meantime





MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

enhancing customer experience. Additionally, a “Manual of Instructions on Documentation” has been published by the Legal Department comprising of all the general instructions pertaining to documentation for the reference of branches and other functionaries, and the same is also updated periodically.

Legal Hubs are set up at all the Zones of your Bank to ensure compliance with local laws and render legal support to the branches, underwriting teams and credit administration teams. New products, processes and schemes introduced by your Bank invariably undergo legal vetting by the Legal Department to ensure legal compliance and proper analysis of the legal risks involved. Moreover, Legal Department is rendering professional and expert advice on various legal issues associated with your Bank.

With the strong objective of making your Bank a Zero Customer Complaint Bank, strenuous efforts are being made to reduce the number of suits/ complaints filed against your Bank before different courts/consumer forums. The periodic publication of “Legal Decisions Affecting Banks” circulated by the Legal Department based on verdicts rendered by the Supreme Court/ various High Courts/ Tribunals coupled with various educational circulars issued by the Legal Department, keeps all teams well informed on legal challenges/ issues and steps to be taken to avert compliance failures. The Legal Department, a repository of statutes, also updates the teams/offices/ branches of the relevant amendments/ modifications made to statutes from time to time. Standard Loan Agreements are modified/ simplified from time to time to make them contemporary and in tune with industry standards.

Other than this, the Legal Department has formulated a framework for legal compliance with local laws compiling the Land and Stamp Laws, related customs and practices, etc., in vogue in different states. It has also published a Stamp Duty tracker for the guidance of branches/ offices. Moreover, Zonal Legal Hubs have been holding sessions on legal topics for enriching branch-level functionaries. With a view to impart awareness of the latest developments/ amendments in law and strengthening the knowledge base of the Legal Officers of your Bank, the department is also conducting a Biennial Conference of Legal Officers where legal luminaries address the participants on contemporary topics.

Value addition is imparted by holding interactions amongst the members of the Legal Department and Legal Hubs through audio-visual means, which also helps in resolving the hitches faced by the Legal Hubs, thereby enabling them to function efficiently and contribute to the overall growth of your Bank.

REGULATORY COMPLIANCE

Compliance with all applicable laws and regulations, is crucial to the success of the Bank. Your Bank strives for the Most Admired Bank status while maintaining a balance between growth and controls. Your Bank’s compliance philosophy states that the Bank has no appetite or tolerance for any compliance risk arising from non-compliance with regulations.

To ensure enterprise-wide compliance, your Bank has adopted a risk-based approach and implemented appropriate policies and processes. To manage compliance risk, Bank has built a comprehensive Enterprise Compliance Risk Management Framework (ECRMF), containing processes covering regulation implementation, identification of risks, and remedying risks on time. The Bank has a range of monitoring and testing programs, such as Branch and Department self-testing by frontline staff, review by Compliance Monitoring Officers and Compliance Quality Assurance Cell (C-QAC), to identify any known or hidden risks. In recent years, Bank has enhanced its capabilities by incorporating areas like Data Analytics and Reg Tech. Every employee of your Bank is committed to maintaining the highest level of compliance standards, both in professional and personal life.

The Bank has taken several steps to strengthen its compliance structure. It has revised the Compliance Policy and the Policy on Combating Financial Crime, keeping the regulatory requirements and best practices, both domestic and international, in mind. It has also extended the compliance program to the subsidiaries and group companies. Your Bank has created a robust annual Compliance Risk Assessment Program and Quality Assurance Program to assess compliance risk and ensure the sustenance of compliance standards. Key objectives of the Compliance Department are (a) Benchmark Regulatory Compliance, (b) Integrate Compliance Risk Management in Business, (c) Never Err on Critical Compliance, (d) Always be Fair and Transparent and (e) Be Fit to Partner the Digital & Fintech Journey. To achieve these objectives, Bank has set a protocol where every Business Unit and Department will have Compliance Monitoring Officers who handle the first level of compliance, closely associating with respective heads. Zonal-level Compliance Monitoring Officers, who directly report to Central Compliance, provide additional support. To assess and assist the branches in enhancing the Compliance culture, Compliance Monitoring Officers and senior officials of the Central Compliance team visit the branches and conduct awareness sessions. Annual Certification of Compliance Monitoring Officers at all levels ensures that they are aligned with the Compliance policy and processes, enabling them to embed regulatory requirements in day-to-day business processes.



MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

Your Bank has embarked on tech-based innovations to rewrite its compliance controls and standards. Bank's Continuous Compliance Monitoring (CCM) is an industry-first technological solution leveraging data analytics and artificial intelligence to comprehensively monitor scenario-based alerts on any transactional deviations within 24 to 48 hours. The state-of-the-art Anti-Money Laundering solution provides exhaustive list management and screening capabilities of individual transactions and customers, in line with the Financial Action Task Force (FATF) recommendations and international standards. Bank has also developed an electronic comprehensive obligation register covering over eighty statutes and thirty regulatory authorities/ industry bodies, supplemented by a manual of instructions to each Department for process mapping, gap identification and periodic confirmation of compliance through self-testing, monitoring, concurrent and internal audits. The periodic compliance confirmation to the Board and the Regulator by the Bank is based on the actual testing and affirmations carried out on all transactions from time to time. Additionally, the Compliance Department ensures that all major policies are reviewed to align with regulatory requirements before approval by the Board. With these efforts, your Bank proudly presents its Compliance Model as a benchmark for the industry.

Initiatives undertaken by the Bank to further improve compliance and controls

Integrated Platform for Managing Operational Risk

Your Bank has gone live with Governance and Compliance Manager (GCM) platform, an integrated platform for standardising and managing Operational Risk. Your Bank's Operational Risk Division carries out various Risk Management activities which include RCSA, KRI, Scenario Analysis, Capital computation etc. Considering the need for having robust control of risk management activities, migration to the new GCM platform has been done.

Continuous Compliance Monitoring Solution (CCM)

Your Bank has implemented a solution for Continuous Compliance Monitoring (CCM). The capability is used extensively by the Compliance, Internal Audit and Transaction Monitoring Departments. SAS Detection and Investigation for Banking solution helps your Bank to take a risk-based approach to monitor transactions for illicit activity and to comply with respective regulations. It accommodates a wide variety of disciplines, enables your Bank to triage and manage alerts, entails your Bank to search and discover relevant details about an alert.

Early Warning Signal Solution (EWSS)

Your Bank has engaged CRISIL for implementing an Early Warning Signal Solution which will proactively identify the

risk being built in loan accounts through available internal and external sources and facilitate a corrective action plan for the credit portfolio. The platform is enabled to capture and assess 100+ EWS parameters which include all the 42 illustrative items as laid out in RBI's circular. The platform has the capability to generate alerts based on system feeds as well as manually fed indicators. This helps your Bank to monitor the loan portfolio effectively and maintain better asset quality.

MARKETING

Your Bank's marketing initiatives have effectively hyper-accentuated the Federal Bank brand across the country, resulting in increased recognition and engagement with both existing and new clients. We remain committed to adapting to changing customer requirements, enhancing customer satisfaction, and embracing digital innovations. Furthermore, our CSR activities continue to build our brand reputation by creating a positive impact on individuals and communities.

The strategy of your Bank – 'Segment, Scale & Sustainable' was shaped with the intention to strengthen the brand Federal in its journey from Presence to Prominence to Dominance™. Your Bank appointed its first Chief Marketing Officer in FY 23.

Marketing Campaigns and Objectives

In today's fast-paced and technology-driven world, it's easy to fall into the trap of relying solely on digital means for all our interactions. We know that building strong relationships with our customers means more than just transactional and digital interactions. To convey the same, your Bank launched 'Rishta Aap Se Hai, Sirf App Se Nah!' The 360-degree brand campaign talks about the power of personalised relationships in a digitally suave world. Through this campaign, the message being delivered is – human relationships are paramount to us despite being digitally superior. The philosophy is being practiced across all our branches and offices; with the campaign, a visual face has been given to the mantra. The campaign included 2 advertisements and the same were launched in 7 languages and across various platforms. By the end of FY, both the ads garnered 39.9 Million video views on YouTube with employees and customers equally echoing the thought on social media platforms.

Foundations were laid to create ecosystems around the brand. Various campaigns with equal emphasis on brand and product were rolled out to connect with the cultures of various geographies and ensure visibility across the country. Under Sonic branding, your Bank came up with 8 adaptations of the MOGO for various campaigns/ festivals. World Music Day campaign created awareness of the MOGO through a symphony of sounds available in a branch. The campaign created 7.6 Million impressions across social media platforms in 10 days.





MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

Moment marketing as in the case of welcoming NRIs, cultural immersion by participating in festivals across the country, playing inside out by improving visibility across branches as well as external media including Hoardings, Metros, Taxis, TVCs.

An NR campaign was launched with a special focus on NRKs (Non Resident Keralites) who were coming back to Kerala after a hiatus of 2 years.

Your Bank also celebrated 15 years of its glorious presence in UAE last year.

Digital Media, especially social media continued to get prime importance with daily content. Additionally, importance was given to RTMs (Real Time Marketing posts), festival-related greetings content, milestones, etc.

Target Market and Tailored Marketing Efforts

From a geographical perspective, your Bank's strategy is to move from presence to prominence and ultimately dominance. Kerala remains a dominant market, and we continue to strengthen our position there. Tamil Nadu is progressing towards a dominant market status, while Karnataka and Maharashtra are gaining prominence. As we move north, our presence is gradually building. Additionally, our marketing efforts are tailored to appeal to our target audience, with a focus on young teams that understand the next generation of customers. Your Bank's digital platforms offer a top-notch customer experience, free from legacy issues. Simultaneously, we recognise the importance of a personal touch for long-term clients, as human empathy is unique and irreplaceable.

Customer Satisfaction and Proliferation of Services

Customer satisfaction is a paramount goal for your Bank and we aim to achieve an NPS (Net Promoter Score) of 75, which is an industry high across sectors. To ensure customer satisfaction, your Bank emphasises impeccable service across the board. We believe in taking ownership and promptly resolving any issues that arise, striving to create an "instance of one" experience, where any unforeseen occurrence is treated as the first and last time it happens. This signifies how Nimble, Passionate, and Sharp your Bank aims to be (paraphrasing NPS).

Building Brand Reputation

The role of a Bank is to help people, communities, society and a nation to be able to achieve a certain life-style, plan for life-stages, and be enabled to move up in one's station in life. Your Bank's CSR initiatives focus on education, skill development, women empowerment, and creating joyful spaces for people. These initiatives, which align with our culture, contribute to positive perceptions of our brand. We understand the

significance of accountability and ensure that every effort is accounted for and communicated to our stakeholders. That's why we emphasise "Rishta Aap Se Hai, Sirf App Se Nahi."

Awards and accolades

Your Bank's exceptional efforts and achievements have been recognised through numerous accolades and awards including Most Preferred Workplace 2022-23 in the BFSI sector, Best Private Sector Bank in the 'large Private Sector Bank' Category at the SFBKC Banking Excellence Award 2022, instituted by State Forum of Bankers' Clubs Kerala. Your Bank was recognised among the Top 20 Most Innovative Practices - DivHERsity Awards 2023 and the only Commercial Bank in India to be recognised by Great Place to Work among Top 50 India's Best Workplaces™ for building a culture of innovation. Your Bank's CMO won the title "Futuristic CMO: Retention First Thinker Award" at the Pitch CMO Awards. The brand was recognized as India's leading private sector bank in Mid category by Dun & Bradstreet in BFSI & Fintech Summit 2023 and was named as one of the best BFSI brands 2023 by Economic Times.

SERVICE QUALITY

An increase in the adoption of digital banking by consumers and enhanced reliance on technology-based solutions to overcome day-to-day challenges have made it imperative for any business to leverage innovation and technology for improving the existing products and procedures and delivering a quality experience to customers. Your Bank thus, initiated a Quality movement in 2012 with the following objectives:

- Ensure standardisation in the look and feel of branches.
- Raise, pan India branch performance with regard to customer experience.
- Ensure uniformity and predictability across the Bank's touch points.
- Create, systems, processes and procedures, inherently capable of continuous improvement.
- Ensure standardisation in customer communication.

In pursuit of this, your Bank has employed a dedicated team to facilitate the identification and implementation of process improvements which are critical from a customer point of view. This team liaises with other teams to evaluate various customer touchpoints and strives to improve various services. The team had identified and executed 75+ process improvements, large and small, to ensure responsive and frictionless customer service. One of the initiatives was upgrading Anywhere Banking Services to customers. Now, a customer can do 30 + services across any branch.



MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

Customer Grievance

I. Particulars No.	Year ended March 31, 2023	Year ended March 31, 2022
1 Number of complaints pending at the beginning of the year	5,390	3,498
2 Number of complaints received during the year	170,278	160,857
3 Number of complaints disposed of during the year	169,804	146,108
Of which, the number of complaints rejected by the Bank	73,002	46,394
4 Number of complaints pending at the end of the year	5,864	5,390
Maintainable complaints received by the Bank from Banking Ombudsman (BO)		
5 Number of maintainable complaints received by the Bank from BOs	1,049	569
Of which, a number of complaints were resolved in favour of the Bank by BOs	467	245
Of which, the number of complaints resolved through conciliation/ mediation/ advisories issued by BOs	571	324
Of which, a number of complaints were resolved after the Passing of Awards by BOs against the Bank	-	-
6 Number of Awards unimplemented within the stipulated time (other than those appealed)	-	-

Customer Delight

Your Bank is always keen on relationship building, customer convenience and delight. To enhance customer experience and brand trust initiated the opening of new branches, enhanced the capacity in the Call Centres, upgraded the services available in the web-based portal and rolled out many other initiatives designed to make the life of customers easier. Further, your Bank also observes Customer Day on the 15th of every month in the branches. Branches are also sanitised and furnished with fine interiors, at par with industry standards. The security aspect has been given utmost importance with modern equipment like closed circuit TV, motion sensors, infrared cameras and fire alarm systems. Your Bank has also started online real-time, remote security and surveillance of ATMs and branches towards this end. Further, it is progressively equipping its branches with fake note detectors, note sorting machines and currency authenticating machines, in compliance with the regulatory guidelines. Your Bank has installed 1,916 ATM/ Recyclers which will enable customers to withdraw/deposit cash in their account 24 X 7. With these measures, your Bank is focussing on ensuring excellence in operations and service delivery with the least gaps, based on customer feedback and strives to maintain a high level of customer satisfaction, along with a reduced count of customer complaints through an efficient redressal mechanism.

STRATEGIC PLANNING

In this new era of heightened economic volatility, strategic planning has become more relevant and critical. The Corporate Planning Department of your Bank works towards developing effective future-ready strategies aligned with the market realities and setting aspirational goals for your Bank to achieve. The Department coordinates diverse functions like Planning, Budgeting, Monitoring of Business Performance, Business Analytics, Cost Management and Management Information Systems to achieve its goals.

Your Bank adopted a 'Lite Branch, Heavy Distribution' approach, which means opening new branches in areas with high potential, while strengthening our existing presence with more distribution channels. We have 1,355 Branches, 1,916 ATMs/ Cash Recyclers (including 2 Mobile ATMs), and other channels such as Relationship Managers, Field Sales teams, and Digital Acquisition. With the opening of the first branch in the state of Himachal Pradesh and crossing 200 banking outlets in Tamil Nadu and Puducherry, your Bank remains committed to expanding its reach across geographies. In addition to the 75 new branches opened in FY23, your Bank also launched innovative solutions such as Mobile Banking Unit, so that banking services can be delivered to your doorstep. These help your Bank to attract and engage customers through various methods. The Bank pursues goals with focus, quality, granularity, regularity and





MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

sustainability. The Department, through its various initiatives, brings synergy between the distribution channels to deliver desired results. Cost Management has become a compulsion to ensure sustainability in the long run pushing the Department to maintain a holistic approach and adopt an agile operating model while connecting cost reduction and investment decisions.

With a core analytics data science team functioning for more than 6 years now, your Bank has built a strong foundation with advanced capabilities for tapping the huge potential of data and uncovering the strategic opportunities it holds. The data science team is well equipped and is leveraging the rich underlying internal and external data across the business functions, evolving along the way into a Centre of Excellence for the efficient delivery of state-of-art analytical frameworks. The main focus includes addressing the core of business problems, thus optimising the costs with enhanced efficiency, and exploiting every possible opportunity for establishing enhanced and additional revenue centres for business. Powered by Machine Learning (ML), Artificial Intelligence (AI) and Deep Learning (DL) capabilities, the team utilises the booming data growth and is aligned towards enhancing customer experience, value, and delight by ensuring high-quality customer acquisition, servicing, personalisation, next best actions and retention, thereby enabling fostering the deeper healthy customer relationships at each step, while monitoring the fraudulent and risky behavioural instances.

The MIS team, a multi-functionary cell under Corporate Planning Department, coordinates comprehensive report generation and automation, ensuring data quality, accuracy and timeliness of information for management decision-making as its prime objectives. The agile reporting of MIS enables branches and offices to align and organise themselves to the set goals. The automated reports/ insights to individual business units, by making use of cutting-edge business intelligence tools, enable the users to slice and dice data, helping them to derive meaningful insights and empowering them to take informed business decisions. The Regulatory Reports Cell, which functions under MIS, is a specialised team that deals with the generation and automation of regulatory reports of your Bank and ensures integrated and prompt generation of reports to stakeholders for onward submission to the regulators. Your Bank also has a Quality Assurance Cell for MIS, that ensures the accuracy and consistency of data captured in the Bank's systems and validates the critical reports generated by the MIS team.

CORPORATE SOCIAL RESPONSIBILITY

The Corporate Social Responsibility activities of your Bank touches a wide footprint through areas like Skilling, Education, Women Empowerment, Environment Sustainability and other activities.

The CSR projects are executed under the Federal Bank Hormis Memorial Foundation, which acts as a special purpose vehicle for the implementation of CSR activities of your Bank.

Major CSR projects undertaken during FY 2022-23 by your Bank are as follows:

Promoting Education

a) Federal Bank Hormis Memorial Foundation Scholarships

The Foundation is providing scholarships to needy students for pursuing professional courses for many years. During the year, the Trust is offering scholarships to a maximum of 500 meritorious students pursuing the courses- BSc Agriculture, B Sc Nursing, BE/B Tech, MBBS & MBA-belonging to the states- Kerala, Tamil Nadu, Karnataka, Maharashtra, Gujarat & Punjab.

b) Federal Skill Academies

While India has the largest percentage of youth population in the world, it has a very high percentage of unskilled youth as well. Recognising that gaps exist between the knowledge imparted through formal education and the skills that are actually required at the workplace, your Bank has set up Federal Skill Academy as part of its thrust for social upliftment and eventually to be part of the National Skill Development Mission. As part of its Corporate Social Responsibility initiatives, your Bank started the Federal Skill Academy on Founder's Day 2015 to impart quality technical education to meritorious students coming from economically underprivileged backgrounds. The objective is to empower the youth, to mentor and assist them to upgrade their skills for improved employability, increased efficiency, and career growth. Presently the Bank is having four Skill Academies-at Kochi, Coimbatore, Kolhapur & Faridabad.

c) Speak for India Debating Programme

In the year 2014-15, Federal Bank launched a state-wide student debating competition in Kerala under the auspices of Federal Bank Hormis Memorial Foundation. Through the program, your Bank is providing a platform for young minds to showcase their critical thinking and prove their oratory skills by having a debate.

Speak for India events have become a calendar event for the college-going students of the country. Except for the last two years, events were consistently executed in chosen markets with flair and poise. A journey that started as a CSR initiative has now grown into a stature where it commands respect for your Bank's initiative in connecting with the youth, satisfying the twin objectives of brand building and youth empowerment.



MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

Your Bank has re-launched the Speak for India events this year as the nation is back to normal from the pandemic and college campuses are brimming with activities. The students are also back and so are the competitive sentiments.

This year your Bank has conducted the debating program in the states- Kerala (in association with Mathrubhumi) & Tamil Nadu, Karnataka, Maharashtra, NCR & West Bengal (in association with Times of India).

In the Speak for India Kerala Edition, a remarkable 14,000 students registered for the programme, with an active participation of 4000 students. Across the Tamil Nadu, Karnataka, Maharashtra, NCR & West Bengal Editions of Speak for India an impressive total of 100,500 students registered for the program, out of which 20,700 actively participated in the program.

In aggregate the Speak for India program, witnessed a substantial number of 114,500 registrations across all states with a commendable participation of 24,700 students.

d) Support to ASAP-Promoting Education

Support to ASAP (Additional Skill Acquisition Programme) by Govt of Kerala for establishing Community Colleges in Kerala enabling access to better education and professional training. Your Bank has sponsored a part of the tuition fee of 70 students for one year. This is being continued in the 2nd & 3rd year also.

e) Transformation of Govt Schools- Odisha under 5T scheme of Govt of Odisha & Nammukku Naame Project- Govt of Tamil Nadu

Partnered in many Governmental programs like 5T in Odisha which provided upgraded educational facilities to Govt Schools in Odisha and Namakku Naame Thittam which aims at developing basic amenities in the state of Tamil Nadu.

f) Promoting Education, Safety Traffic Engineering and Creating traffic awareness among general public

Support to City Traffic Police, Traffic East Subdivision, Kochi City for installation of traffic kiosks in various locations in Kochi City. Apart from the above, your Bank has also done various CSR Activities to support various educational institutions, organisations and NGOs for infrastructure development, education support, installation of smart classrooms, setting up libraries, etc.

g) "Joy of Freedom" campaign to commemorate 75 years of Indian Independence through a plethora of goodness drives across the country

The campaign resonated closely with the 'Azadi ka Amrit Mahotsav' campaign launched by Govt of India. As part of the campaign CSR activities were conducted across nine zones of your Bank including, distribution of 75 Wheelchairs to eligible hospitals, distribution of 75 Solar powered streetlights in select geographies and support for the education of 75 underprivileged Girl Children across the country.

h) CSR through Employee Volunteering

As part of CSR through the Employee Volunteering program, Community project on behalf of your Bank was initiated at Sembakam Village & Kupathukunram Village for the construction of a Multipurpose Learning Centre & 8 Public Toilets.

i) Support to differently abled

Your Bank has supported MANN, a centre for persons with disabilities, situated at Goregaon, Mumbai, towards setting up a stitching unit at Goregaon for the differently abled youth with Intellectual Developmental Disability for providing self-employment and livelihood opportunities.

Your Bank has supported Project Thulir in association with United Way of Chennai to train 10 differently abled women belonging to economically weaker sections and to set up 10 Aavin bunk shops for them. The project was implemented through employee volunteering.

Through these projects, your Bank could help these less privileged sections of society to lead dignified lives.

j) Health Care

In FY 2022-23, your Bank has supported the Health Care sector through various activities, such as providing Ambulances, Dialysis machines, support to Govt Hospitals for procuring medical equipment's, etc.

Some of the major activities are: -

- First Aid & CPR (Cardiopulmonary Resuscitation) - Basic Life Supports Skilling.

CPR is a lifesaving technique that's useful in many emergencies, such as heart attack, or near drowning, in which a person's breathing or heartbeat has stopped. The awareness of such skills is minimal among the youth. According to a study, 4 out of 10 sudden Cardiac Arrest victims can be revived if CPR is given in time. This program was conducted at educational institutions in Ernakulam/ Thrissur districts to skill 8,015 youth in First aid & CPR.

The program was conducted through the implementing partner of Federal Skill Academy Viz M/s SB Global





MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

- Preventive Health Care – Support to “Drug Rehabilitation Education and Mentoring” (DREAM) program by Bangalore Rural Educational and Development Society (BREADS).

This is an awareness program among youth against substance abuse being conducted across 10 districts of Kerala.

- Other Major Health Care support: -

Support has been extended for Palliative care, purchasing vehicles for providing home care services to bedridden patients, purchasing Anaesthesia workstation, Dialysis Machines, ECG machines, ambulances for Government hospitals and the construction of labour rooms.

- Welfare & Poverty Alleviation

Your Bank has supported various projects for the upliftment of economically backward sections, countering malnutrition and supporting the right to education of socio-economically disadvantaged children by associating with various Govt initiatives and NGOs across India. Your Bank has also done various CSR projects for old age homes, Orphanages, and other NGOs, for setting up hostels, day-care centres, anganwadis/improving infrastructure facilities/ for the welfare of the scheduled caste/tribes/ other backward classes, minorities and women and for providing food kits to the needy.

k) Promoting Women Empowerment

- Project “Swayam Sakthi”

The Project envisages enabling Girl Child who has not completed her education by providing ‘Bridge Education’. Remedial Education is given to them for fulfilling their aspirations and dreams for a better livelihood and career prospects by continuing their study in a regular school. Since 2018-19, your Bank is supporting Drshtikona Consultancy and Program Management Services Private Limited partnering with Himalayan Social Institute for the above project.

- Saukhyam Reusable Pads project

In India today, there are about 18-20 brands of reusable sanitary pads available. Most of them are sold online and serve only customers in urban areas. While the modern, informed woman in our towns and cities are increasingly turning into reusable products for menstrual hygiene, her rural counterparts remain unaware of the availability of such products. Saukhyam is trying to solve this issue.

- Support to Ferrando Nikethan, C/o Sacred Heart Province, Tinsukia

Support was given for purchasing 25 desktop computers for setting up a computer lab in Ferrando Nikethan, run by the province for the skill training of girls from the labour community of tea garden workers of Tinsukia and Dibrugarh districts of Assam.

- Support to SABS Socio-Educational Society (SSES), SABS Provincial House, Chumukedima, Dimapur, Nagaland

Support was given for purchasing 20 brand new sewing machines for their tailoring unit for women and school dropout girls.

l) Promoting Environment Sustainability & Swatch Bharat

- SEED – Student Empowerment for Environment Development

To build awareness amongst the student fraternity to conserve the earth’s natural resources, your Bank joined with Mathrubhumi, a leading newspaper daily in Kerala in the SEED Programme since 2012. SEED (Student Empowerment for Environmental Development) is an initiative aimed at spreading the message of ecological conservation. Your Bank has been supporting this noble cause for the past ten years.

- Support to District Administration for restoration of 4 water bodies in Tirunelveli District as a part of Azadi Ka Amrit Sarovar Mission.

Support for restoration of 4 water bodies-at Perumalkulam, Kadambakulam, Adichaperikulam, of Thirunelveli Districts. The restoration process includes the removal of garbage, invasive plants and weeds.

- Support to Kancheepuram City Municipal Corporation. Support for purchasing 10 brand-new Battery-Operated Vehicles towards the development of infrastructures for the Municipal Solid Waste Project.

- Support to Kival Grama Panchayath, Pune.

Support for installing 50 numbers of 12W Solar streetlights at various identified locations in Grama Panchayath Kival Taluk Karad.

- Support to District Administration, Amritsar

Support for the Installation of an Organic Waste Compost Machine at the International Border situated at Attari.

Apart from the above, your Bank has also done various CSR activities in this category such as the installation of Solar Power Systems, the construction of Toilets, and the Protection of Flora & Fauna to support various organisations, NGOs, etc.



MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

m) Promoting Sports & Culture

Your Bank has supported various organisations/Educational institutions for the promotion of sports activities:

Other initiatives	
Support extended for	Support to:
For running the academy for one year	Kochi City FC, Aluva
Support to Women's Team/promotion of sports	Cochin Don Bosco Society,
Towards training expenses, mess expenses, salary of coaches, jerseys, etc for their Senior Team during the FY 2022-23 season	M/s Kovalam FC
For supporting the Senior Girls team of M/s Don Bosco Football Academy in the 2022 edition of Kerala Premier League	M/s Cochin Don Bosco Society- Don Bosco Football Academy
For Promoting Sports	M/s Gokulam FC

FEDERAL OPERATIONS AND SERVICES LIMITED

FedServ is a wholly owned subsidiary company of Federal Bank, established in 2018, that is fully dedicated to providing operational and technology-oriented services to your Bank. Since its inception, FedServ has played a crucial role in re-engineering various operational activities and implementing process improvements, contributing to your Bank's overall efficiency and effectiveness.

During the year ended March 31, 2023, FedServ has provided support on 128+ operational activities, demonstrating its wide-ranging capabilities and expertise. Furthermore, FedServ has received approval from the Reserve Bank of India (RBI) to add more activities to its portfolio, which will facilitate the migration of additional processes from your Bank to FedServ during FY 2023-24.

FedServ's primary objective is to enhance the customer experience by focusing on standardisation, process efficiency, error reduction, and continuous improvement. This ensures that customers receive consistent and high-quality services while minimising risks associated with operational activities. FedServ also places a strong emphasis on mitigating perceived risks through robust risk management practices, ensuring compliance with regulatory guidelines and best practices.

FedServ's unwavering commitment to excellence, innovation, and customer-centricity has been instrumental in driving positive outcomes for your Bank. By leveraging its operational and technological expertise, FedServ continues to contribute to the Bank's overall operational efficiency, effectiveness, and customer satisfaction.

FEDBANK FINANCIAL SERVICES LIMITED

Promoted by The Federal Bank Limited, Fedbank Financial Services Limited ("**Fedfina**"). Fedfina is a retail focused non-banking finance company ("NBFC"), catering to the micro, small and medium enterprises ("**MSMEs**") lending and the emerging self-employed individuals ("**ESEIs**") sector. Fedfina was incorporated in the year 1995 and received its license from RBI to operate as an NBFC in 2010. Fedfina has a vision to "Empower Emerging India with Easy access to Loans". Headquartered in Mumbai, Fedfina is registered with the Reserve Bank of India as a Systemically Important Non-Deposit Taking Non-Banking Financial Company. As of March 31, 2023, The Federal Bank holds a 73.22% stake in Fedfina. Fedfina with its 575 branches as of March 31, 2023, has a strong presence across the Southern and Western regions of India.

Focused on Secured Retail Lending to MSMEs

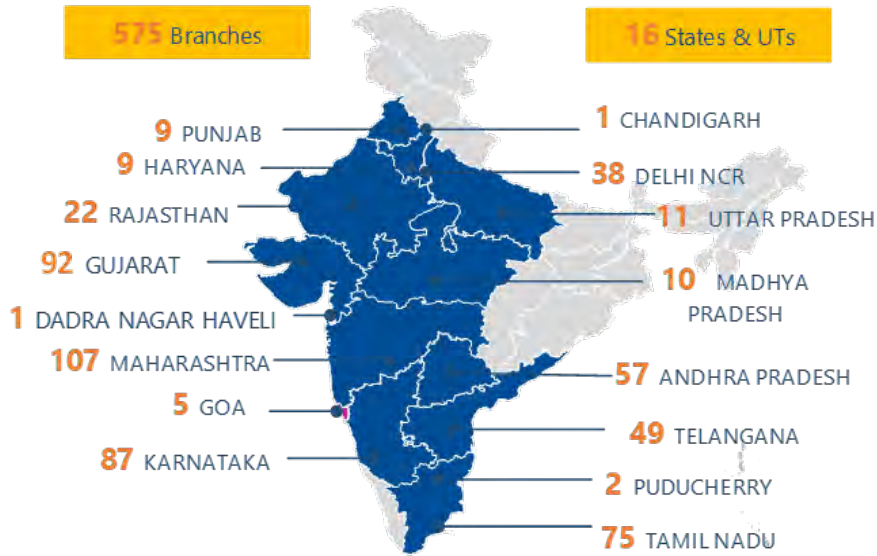
Fedfina is focused on catering to MSMEs and ESEIs sector. Fedfina believes that this segment provides a sizeable opportunity to rapidly grow and expand further. Fedfina has a well-tailored suite of products targeted to match customers' needs, which includes mortgage loans such as housing loans; small ticket loan against property ("**LAP**"); and medium ticket LAP, unsecured business loans, and gold loans.

Fedfina is largely focused on retail loan products with a collateralized lending model targeting individuals and the emerging MSME sector which is difficult to replicate. As on March 31, 2023, 85.98% of Fedfina's total Loan Assets were secured against tangible assets, namely the customer's gold or property. Out of the collateral for the medium ticket LAP and small ticket LAP, 77.52% of the collateral is self-occupied residential or commercial property.





MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)



Industry Leading Growth

Fedfina with its wide range of products across the mortgage and gold loans has seen industry leading growth. Fedfina’s offerings are focused towards the growing emerging self-employed segment to meet their credit needs. Fedfina since its inception is engaged in sourcing loans for your Bank. For FY 23, Fedfina sourced loans to the tune of ~ ₹ 2,165.45 Crore for Federal Bank.

Product Mix (% AUM)	FY23	FY22
Gold Loans	32.92%	36.33%
Mortgage Loans	49.69%	47.40%
Medium Ticket LAP	25.23%	24.66%
Small Ticket LAP	18.37%	17.56%
Housing Loans	6.08%	5.18%
Unsecure Business Loans	16.03%	14.56%
Other	1.36%	1.72%
AUM (₹ Cr)	9,069.60	6,187.20

As per IND-AS

During the year ended March’23, Fedfina ramped-up its mortgage business, expanding into much deeper geographies with granularisation of the portfolio. The overall portfolio expanded 46.59% YoY to ₹ 9,069.60 Crore, driven by strong performance in the mortgage business.

Performance in FY23

The revenue from operations increased by 35.60% to ₹ 1,178.80 Crore for Fiscal 2023 from ₹ 869.32 Crore for Fiscal 2022, primarily due to an increase in interest income to ₹ 1,110.17 Crore for Fiscal 2023 from ₹ 821.89 Crore for Fiscal 2022. This was primarily attributable to an increase in interest on loans to ₹ 1,034.63 Crore for Fiscal 2023 from ₹ 794.97 Crore for Fiscal 2022, due to 46.59% growth in AUM. The profit for the year increased by 74.11% to ₹ 180.13 Crore for Fiscal 2023 from ₹ 103.46 Crore for Fiscal 2022.

Profitability (₹ Crore)	FY23	FY22
Net Interest Income	638.02	474.24
Profit before exceptional items and tax	258.39	139.21
Profit before tax	243.02	139.21
Profit after tax	180.13	103.46

As per IND-AS

Financial Parameters (₹ Crore)	FY23	FY22
Net Worth	1,355.68	1,153.52
Total Assets	9,070.99	6,555.71

Gross NPA %	2.03%	2.23%
Net NPA %	1.59%	1.75%



MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

As per IND-AS

Net worth in FY23 improved 17.53% to ₹ 1,355.68 Crore, on the back of healthy internal accruals. The balance sheet grew 38.37% to ₹ 9,070.99 Crore (PY ₹ 6,555.71 Crore). Gross NPAs declined 20 bps in FY 23 to 2.03 %. The Net NPAs declined by 16 bps in FY 23 to 1.59%.

Strong Underwriting and Robust Risk Management

Fedfina has formulated a risk management policy taking into account, among others, the practices and principles governing risk management prescribed by the RBI. Fedfina has set up a Risk Management Committee (RMC) of the Board to assist the Board by supervising and assessing company's risk management principles, policies, strategies, processes and controls. This committee will be supported by an operational Risk Management committee and Asset Liability Management Committee (ALCO).

Higher Credit Rating

Fedfina's NCDs have been rated 'AA' by CARE since 2022, and AA- by India Rating for its NCDs and bank loans since 2018. Its commercial paper is rated A1+ by ICRA and CRISIL.

Employees at the core of organisation

People focused initiatives led to Fedfina getting the "Great Place to Work" (GPTW) certification for four consecutive years. Fedfina has also been awarded "Top 50-India's Best Workplaces in BFSI 2023" by Great Place to Work® Institute India.



Superior Technology Framework

Fedfina continues to invest in technology and digitization to ensure that its information technology systems continue to help us with several functions, including loan origination, credit underwriting, risk management, collections, customer service and retention. Fedfina has consolidated its data in the form of a cloud-based central repository and to store data from its different applications in an external data repository.

The gold loan branches of Fedfina also have heightened security measures, including a grill gate for safe rooms, physical security personnel with metal detectors, CCTV surveillance and sensors active during non-office hours. Within the safe room of the gold loan branches, there are safe lockers under the joint custodian model, 24/7 security alarms and central security controlled safe room operations.





MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

"Fedbank Financial Services Limited (the "Company") is proposing, subject to receipt of requisite approvals, market conditions and other considerations, to make an initial public offer of its equity shares and has filed a draft red herring prospectus ("DRHP") with the Securities and Exchange Board of India ("SEBI"). The DRHP is available on the websites of the Company at www.fedfina.com, SEBI at www.sebi.gov.in the book running lead managers, ICICI Securities Limited, BNP Paribas, Equirus Capital Private Limited and JM Financial Limited, at www.icicisecurities.com, www.bnpparibas.co.in, www.equirus.com and www.jmfl.com, respectively, and the stock exchange(s) at www.nseindia.com and www.bseindia.com, respectively. Any potential investor should note that investment in equity shares involves a high degree of risk and for details relating to such risk, see "Risk Factors" of the RHP, when available. Potential investors should not rely on the DRHP for any investment decision. The Equity Shares offered in the Offer have not been, and will not be, registered under the U.S. Securities Act and may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities law. Accordingly, the Equity Shares are only being offered and sold outside the United States in "off shore transactions" as defined in and in reliance on Regulation S under the U.S. Securities Act and the applicable laws of the jurisdiction where those offers and sales occur. There will be no offering of securities in the United States."

AGEAS FEDERAL LIFE INSURANCE COMPANY LIMITED

Performance Summary

During FY 2022-23, AFLI continued to play to its strengths such as best-in-class customer service, focus on digitalisation and a committed workforce, among many others. This has helped it to keep its overall premium growth over the previous year. AFLI has witnessed strong and sustainable growth in New Business Premium (NBP) by 12%.

AFLI also maintained a good balance in Individual New Business Premium contribution of Regular Premium - 67% and Single Premium - 33%.

FY 2022-23 saw a continued thrust on customers shopping for financial products to build a stronger future and in turn, live the life and lifestyle of their choice. AFLI continues to work on its stated objectives and build a healthier and better society by helping its customers in this process.

In today's hyper-connected world, the importance of digitalisation cannot be overemphasised. Ageas Federal progressed firmly on its pre-defined path to embrace the

importance of putting people at the centre of everything it does. Employees were fully equipped with all the digital interventions needed to discharge their roles. To make insurance easy and straightforward for its customers, AFLI has reimagined the customer experience with its digital innovations. By investing in newer technology and focusing on digital channels and online applications, it has attempted to make the process simple and straightforward for its customers at each stage of its journey.

AFLI has been agile and swiftly moved in line with macroeconomic changes like interest rates and the performance of various financial markets and modified its product suite to ensure a balanced product mix for the company and at the same time, offer better terms to its customers.

With the retail life insurance market expanding at a pace lower than the previous year, existing insurers are chasing a smaller globe and trying to increase their pie. AFLI stayed well connected with its distribution partners and improved its market position in New Business Premium sales.

The life insurance market continues to be fiercely competitive. AFLI continues to hold the fort and is working on surging ahead at the opportune time. With a growth of 20% in APE, AFLI has had another successful year.

Against this backdrop of business performance, the Operating Cost Ratio (Operating Cost to Gross Written Premium) for the current year is at 16.1%. The Company registered a profit before tax of ₹ 125.74 Crore, higher by 21% over the earlier year due to increasing in business, lower death claims, and proportionate release of COVID reserves created earlier on account of reduction in COVID cases and deaths due to COVID.

Awards and Accolades

The organisation's commitment to creating an exceptional employee experience has earned it several accolades during the year. Ageas Federal was recognised as a Great Place to Work® for the fourth consecutive time and featured among 'India's Best Workplaces in BFSI 2023 - Top 50' by Great Place to Work® Institute (India) for the third time.

AFLI's 'Young Sachin' brand campaign, launched the previous year, helped it to receive honours at industry award platforms. AFLI won the award for 'Best Innovation and Creativity' in the Content Marketing: B2C category at the MINT Marketing Awards 2022 and the award for 'Most Innovative Marketing Campaign - Insurance' at the BFSI Leadership Awards 2022. The campaign also won a Silver at the New York Festival



MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

Advertising Awards 2022, two 'Baby Elephant' awards at the Kyoorius Creative Awards 2022, and it was shortlisted as a contender for a Cannes Lion at the Cannes Lion International Festival of Creativity in 2022.

The organisation's long-term commitment to its CSR program received due recognition with the award for 'Excellence in Corporate Social Responsibility' at the ASSOCHAM Leadership Conclave Awards 2022 and the award for 'Best Insurance Company in Sustainable Corporate Social Responsibility' at the BFSI Leadership Awards 2022.

Transformation Journey

Further to the Company transitioning to its new identity - Ageas Federal Life Insurance in 2021, the Boston Consulting Group (BCG) was engaged for a comprehensive strategic review. The outcome of the comprehensive review identified the 8 pillars of its Transformation Journey. Through these **8 pillars**, AFLI aims to achieve its **strategic objectives** of building a multi-channel business model; shaping its products to fulfil customer needs; focusing on digitalisation and data analysis to drive growth; re-imagining the customer journey; and nurturing a culture of sustainability.

In line with these objectives, AFLI further strengthened its relationship with Federal Bank, its shareholder and bancassurance partner by implementing an end-to-end microservices-based application enabling digital acquisition and processing of insurance. AFLI also focused on growing its proprietary channels - agency, group, online, and DST in a smart, calibrated manner.

During the year, AFLI launched an automated underwriting platform and introduced OCR (Optical Character Recognition) aimed at achieving faster TATs and higher FTR (first-time right) for customers. Further focusing on customer centricity, AFLI has embarked on the journey of using the Net Promoter Score (NPS) with the objective of delivering better business outcomes through transformational strategies driven by customer insights.

As a concerned corporate, AFLI is committed to the UN Sustainable Development Goals (SDGs). Working towards the SDGs, AFLI is in the process of embedding sustainability into the heart of its business focusing on four impact areas: People, Products, Investments and Planet.

Products

AFLI offers its customers a diverse bouquet of 26 plans which cater to customers' diverse needs and varying life-stage requirements while effectively managing risk.

During the year, the regulator extended the 'use-and-file' framework to the life insurance sector which allows insurers to launch a wide range of products without the prior approval of the regulator. While this means stricter internal compliance and governance, the move adds agility and flexibility to the life insurer's product design and launch process.

Taking advantage of this new framework, AFLI launched 6 new products and revamped 4 existing products, during the year. The Company launched a more exhaustive health plan that covers 30 critical illnesses, as well as a ULIP Single Premium plan that has been upgraded in the interest of all stakeholders, including customers and promoters.

While the country has moved towards normalisation, customers are still cautious about economic uncertainty, and they continue to show a preference for guaranteed plans. Catering to this need, AFLI launched a new plan on the non-par savings platform which has been well-received by customers and has performed better than similar past products.

The Company also launched a revised Group Credit Plan which has been modified in line with underlying reinsurance support. The new plan offers more flexibility to customers and distributors and allows for greater customisation for its Group clients. Furthermore, through a partnership with eBaoTech, it has built an entirely new digital sales B2B2C distribution channel for credit life linked to the digital personal loans of Federal Bank, its bancassurance partner.

Its Group Microinsurance Plan was also enhanced during the year, offering expanded eligibility and greater flexibility to customers.

EQUIRUS CAPITAL PRIVATE LIMITED (ECPL /THE COMPANY)

Based on Consolidated Financials, the total gross revenue generated by the Company during the financial year ended March 31, 2023, was ₹ 157.60 Crore as compared to ₹ 152.23 Crore. During the previous financial year. Profit before tax posted by the Company for the financial year ended March 31, 2023, was ₹ 30.90 Crore (19% of revenue) as against ₹ 43.57 Crore (28% of revenue) reported in the previous financial year ended March 31, 2022. Profit after tax was ₹ 21.86 Crore for the financial year ended March 31, 2023, as against ₹ 35.16 Crore in the previous financial year. Net worth is increased to ₹ 17.67 Crore from ₹ 97.82 Crore in the previous year.

As on March 31, 2023, below are the subsidiaries of ECPL along with their key businesses:





MANAGEMENT DISCUSSION AND ANALYSIS (Contd.)

- Equirus Securities Private Limited (ESPL) - Institutional broking business in the cash and derivative segment and also registered as Research Analysts and Depository Participant.
- Equirus Wealth Private Limited (EWPL) – Distribution of wealth products, Portfolio Management Services, Stock Broking, Depository Participant (w.e.f. March 23). EWPL (IFSC Branch) also received registration as Registered FME (Non- retail) with IFSCA (w.e.f. Dec 22).
- Equirus Insurance Broking Private Limited (EIBPL)- Insurance Broking (Direct- Life & General)
- Equirus Finance Private Limited (EFPL)– Incorporated to carry out NBFC activity subject to receipt of approval of RBI license.

The company has observed strong growth during the year in all businesses, including the businesses of subsidiaries. Some of the highlights of the performance are as under:

- As a BRLM, the Company had closed the Initial Public Offers (“IPOs”) of (1) Divgi Torqtransfer Systems Limited (2) Inox Green Energy Services Limited (3) Harsha Engineers International Limited (4) Dreamfolks Services Limited (5) Prudent Corporate Advisory Services Limited.
- During FY 2022-23, the Company had filed DRHP’s for 7 Companies for the purpose of IPO. i.e., for (1) Netweb Technologies India Limited (2) Zaggie Prepaid Ocean Services Limited (3) Divgi Torqtransfer Systems Limited (4) Concord Enviro Systems Limited (5) Allied Blenders and Distillers Limited (6) Inox Green Energy Services Limited (7) Biba Fashion Limited.
- As a BRLM, the Company had closed a total of 5 public issues of NCDs of (1) Edelweiss Housing Finance Limited (2) Nuvama Wealth and Investment Limited (Formerly known as Edelweiss Broking Limited) (3) IIFL Finance Limited (4) two issues of Edelweiss Financial Services Limited.
- Successful closure of Secured structured debt facility for Sify Technologies Limited (First Structured Product Transaction)
- Fixed income business ranked #2 in closed public issues of NCDs.
- Institutional broking business (equities) achieved a 2.2% Market share.
- With the integration of Fed Mobile app, its wealth business has onboarded 92k+ clients.
- Equirus Long Horizon Fund (fund of wealth business) was awarded as one of the top-rated funds in the small and medium funds category by CRISIL.
- Equirus Wealth was awarded “The Asset Triple A Award – Best Wealth Manager Experience” in 2022.
- Insurance broking business empanelled with 35 insurance companies and has 90+ corporate clients.
- Equirus has now been certified as a “Great Place to Work” (Feb 2023 to Feb 2024).

