

# INDEPENDENT AUDITORS' REPORT

**TO THE MEMBERS OF THE FEDERAL BANK LIMITED**  
**REPORT ON THE AUDIT OF THE STANDALONE FINANCIAL STATEMENTS**

**OPINION**

We have audited the accompanying standalone financial statements of The Federal Bank Limited ('the Bank'), which comprise the standalone Balance Sheet as at March 31, 2023, the standalone Profit and Loss Account, the standalone Cash Flow statement for the year then ended and notes to the standalone financial statements, including a summary of significant accounting policies and other explanatory information.

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

**BASIS FOR OPINION**

We conducted our audit of the standalone financial statements in accordance with the Standards on Auditing ('SAs') specified

under section 143(10) of the Act. Our responsibilities under those Standards are further described in the 'Auditors' Responsibilities for the Audit of the Financial Statements' section of our report. We are independent of the Bank in accordance with the "Code of Ethics" issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the standalone financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone financial statements.

**KEY AUDIT MATTERS**

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

**DESCRIPTION OF KEY AUDIT MATTERS**

	Key Audit Matters	How our audit addressed the Key Audit Matters
(i)	<b>Classification of Advances, Identification of Non-Performing Advances, Income Recognition and Provision on Advances (Schedule 9 read with Note 4.2 of Schedule 17 and Note 1.4 and Note 1.14.5 of Schedule 18 to the standalone financial statements)</b>	
	<p>Advances include Bills purchased and discounted, Cash credits, Overdrafts, Loans repayable on demand and Term loans. These are further categorised as secured by Tangible assets (including advances against Book Debts), covered by Bank/Government Guarantees and Unsecured advances.</p> <p>The Reserve Bank of India ('RBI') has prescribed the 'Prudential Norms on Income Recognition, Asset Classification and Provisioning' in respect of advances for banks ('IRACP Norms') for the identification and classification of non-performing assets ('NPA') and the minimum provision required for such assets.</p>	<p>Our audit approach / procedures towards Classification of Advances, Identification of Non-performing Advances, Income Recognition and Provision on Advances included the following:</p> <ul style="list-style-type: none"> <li>- Understanding and considering the Bank's accounting policies for NPA identification and provisioning and assessing compliance with the prudential norms prescribed by the RBI (IRACP Norms).</li> <li>- Understanding, evaluation and testing the design and operating effectiveness of key controls (including system based automated controls) for identification and provisioning of impaired accounts based on the extant guidelines on IRACP laid down by the RBI.</li> </ul>





INDEPENDENT AUDITORS' REPORT (Contd.)

Key Audit Matters	How our audit addressed the Key Audit Matters
<p>The identification of performing and non-performing advances (including advances restructured under applicable IRACP Norms) involves establishment of proper mechanism and the Bank is required to apply significant degree of judgement to identify and determine the amount of provision required against each advance applying both quantitative as well as qualitative factors prescribed by the regulations.</p> <p>Significant judgements and estimates for NPA identification and provisioning could give rise to material misstatements on:</p> <ul style="list-style-type: none"> <li>- Completeness and timing of recognition of non-performing assets in accordance with criteria as per IRACP norms;</li> <li>- Measurement of the provision for non-performing assets based on loan exposure, ageing and classification of the loan, realizable value of security;</li> <li>- Appropriate reversal of unrealized income on the NPAs.</li> </ul> <p>Since the classification of advances, identification of NPAs and creation of provision on advances (including additional provisions on restructured advances under applicable IRACP Norms) and income recognition on advances:</p> <ul style="list-style-type: none"> <li>- Requires proper control mechanism and significant level of estimation by the Bank;</li> <li>- Has significant impact on the overall financial statements of the Bank;</li> </ul> <p>we have ascertained this area as a Key Audit Matter.</p>	<ul style="list-style-type: none"> <li>- Performing other procedures including substantive audit procedures covering the identification of NPAs by the Bank. These procedures included:               <ul style="list-style-type: none"> <li>(a) Considering testing of the exception reports generated from the application systems where the advances have been recorded.</li> <li>(b) Considering the accounts reported by the Bank and other banks as Special Mention Accounts ("SMA") in RBI's central repository of information on large credits (CRILC) to identify stress.</li> <li>(c) Reviewing account statements, drawing power calculation, security and other related information of the borrowers selected based on quantitative and qualitative risk factors.</li> <li>(d) Reading of minutes of management committee and credit committee meetings and performing inquiries with the credit and risk departments to ascertain if there were indicators of stress or an occurrence of an event of default in a loan account or any product.</li> <li>(e) Considering key observations arising out of Internal Audits, Systems Audits, Credit Audits and Concurrent Audits conducted as per the policies and procedures of the Bank.</li> <li>(f) Considering the RBI Annual Financial Inspection report on the Bank, the Bank's response to the observations and other communication with RBI during the year.</li> <li>(g) Examination of advances including stressed/restructured advances on a sample basis with respect to compliance with the RBI Master Circulars / Guidelines.</li> <li>(h) Seeking independent confirmation of account balances for sample borrowers.</li> <li>(i) Visits to branches/offices and examination of documentation and other records relating to advances.</li> </ul> </li> </ul> <p>For Non- performing advances identified, we, based on factors including stressed sectors and account materiality, tested on a sample basis the asset classification dates, reversal of unrealized interest, value of available security and provisioning as per IRACP norms. We recomputed the provision for NPA on such samples after considering the key input factors and compared our measurement outcome to that prepared by management.</p>
<p>(ii) <b>Valuation of Investments, Identification of and provisioning for Non-Performing Investments (Schedule 8 read with Note 4.1 of Schedule 17 and Note 1.2 and Note 1.14.5 of Schedule 18 to the standalone financial statements)</b></p>	
<p>Investments include investments made by the Bank in various Government Securities, Bonds, Debentures, Shares, Security receipts and other approved securities. RBI Circulars and directives, inter-alia, cover valuation of investments, classification of investments, identification of non-performing investments('NPI'), non-recognition of income and provisioning against non-performing investments.</p>	<p>Our audit approach/procedures towards Investments with reference to the RBI Circulars/directives included the understanding of internal controls and substantive audit procedures in relation to valuation, classification, identification of non-performing investments (NPIs) and provisioning/depreciation related to Investments. In particular -</p>



INDEPENDENT AUDITORS' REPORT (Contd.)

	<b>Key Audit Matters</b>	<b>How our audit addressed the Key Audit Matters</b>
	<p>The valuation of each category (type) of the aforesaid securities is to be done as per the method prescribed in circulars and directives issued by the RBI which involves collection of data/information from various sources such as FIMMDA rates, rates quoted on BSE/NSE, financial statements of unlisted companies etc.</p> <p>We identified valuation of investments and identification of NPI as a Key Audit Matter because of the management judgement involved in determining the value of certain investments (Bonds and Debentures, Pass-through certificates) based on applicable Regulatory guidelines and the Bank's policies, impairment assessment for HTM book based on management judgement, the degree of regulatory focus and the overall significance to the financial results of the Bank.</p>	<ul style="list-style-type: none"> <li>- We evaluated and understood the Bank's internal control system to comply with relevant RBI guidelines regarding valuation, classification, identification of NPIs, reversal of income on NPIs and provisioning/ depreciation related to investments;</li> <li>- We assessed and evaluated the process adopted for collection of information from various sources for determining market value of these investments;</li> <li>- For the selected sample of investments in hand, we tested accuracy and compliance with the RBI Master Circulars and directions by re-performing valuation for each category of the security;</li> <li>- We carried out substantive audit procedures to recompute independently the provision to be maintained in accordance with the circulars and directives of the RBI. Accordingly, we selected samples from the investments of each category and tested for NPIs as per the RBI guidelines and recomputed the provision to be maintained and if accrual of income is in accordance with the RBI Circular for those selected sample of NPIs;</li> <li>- We tested the mapping of investments between the Investment application software and the financial statement preparation software to ensure compliance with the presentation and disclosure requirements as per the aforesaid RBI Circular/directions.</li> </ul>
(iii)	<p><b>Information Technology ('IT') Systems and Controls for financial reporting</b></p>	
	<p>The Bank uses several systems for its overall financial reporting and there is a large volume of transactions being recorded at multiple locations daily. In addition, there are increasing challenges to protect the integrity of the Bank's systems and data since cyber security has become a more significant risk in recent periods.</p> <p>Due to the pervasive nature and complexity of the IT environment as well as its importance in relation to accurate and timely financial reporting, we have identified this area as a Key Audit Matter.</p>	<p>As a part of our audit procedures for review of the Bank's IT systems and related controls for financial reporting:</p> <ul style="list-style-type: none"> <li>- We tested the design and operating effectiveness of the Bank's IT access controls over the information systems that are critical to financial reporting.</li> <li>- We tested sample IT general controls (logical access, changes management and aspects of IT operational controls). This included testing that requests for access to systems were reviewed and authorised. We inspected requests of changes to systems for approval and authorisation. We considered the control environment relating to various interfaces, configuration and other application layer controls identified as key to our audit.</li> <li>- We reviewed the Bank's controls over opening and unauthorized operations in internal/ office accounts.</li> <li>- We reviewed key observations arising out of audits conducted on the Bank's IT systems during the year.</li> </ul>





INDEPENDENT AUDITORS' REPORT (Contd.)

	Key Audit Matters	How our audit addressed the Key Audit Matters
		<ul style="list-style-type: none"> <li>- In addition to the above, we tested the design and operating effectiveness of certain automated controls that were considered as key internal financial controls over financial reporting. Where deficiencies were identified, we sought explanations regarding compensating controls or performed alternate audit procedures. In addition, we understood where relevant, changes made to the IT landscape during the audit period and tested those changes that had a significant impact on financial reporting.</li> </ul>
(iv)	<p><b>Assessment of Provisions and Contingent Liabilities (Schedule 5 and 12 read with Notes 4.13 &amp; 4.21 of Schedule 17 to the standalone financial statements)</b></p>	
	<p>Assessment of Provisions and Contingent liabilities in respect of certain litigations including Direct and Indirect Taxes, various claims filed by other parties not acknowledged as debt (Schedule 12 to the standalone financial statements) and various employee benefits schemes (Schedule 5 to the standalone financial statements) was identified as a significant audit area.</p> <p>There is high level of judgement involved in estimating the level of provisioning required as well as in the disclosure of both Provisions and Contingent Liabilities in respect of tax matters and other legal claims. The Bank's assessment is supported by the facts of matter, their own judgment, past experience, and advice from independent legal / tax consultants wherever considered necessary. Accordingly, unexpected adverse outcomes may significantly impact the Bank's reported profit and state of affairs presented in the Balance Sheet.</p> <p>The valuations of the employee benefit liabilities are calculated with reference to multiple actuarial assumptions and inputs including discount rate, rate of inflation and mortality rates. The valuation of funded assets in respect of the same is also sensitive to changes in the assumptions.</p> <p>We determined the above area as a Key Audit Matter in view of associated uncertainty relating to the outcome of the matters which requires application of judgment in interpretation of law, circumstances of each case and estimates involved.</p>	<p>Our audit approach / procedures involved:</p> <ul style="list-style-type: none"> <li>- Obtaining an understanding of internal controls relevant to the identification of litigations and legal cases to be reported;</li> <li>- Understanding the current status of the litigations/tax assessments;</li> <li>- Examining recent orders and/or communication received from various tax authorities/ judicial forums and follow up action thereon;</li> <li>- Evaluating the merit of the subject matters identified as significant, with reference to the grounds presented therein and available independent legal / tax advice including opinion of the Bank's tax consultants;</li> <li>- Review and evaluation of the contentions of the Bank through discussions, collection of details of the subject matter under consideration, the likely outcome and consequent potential outflows on those issues;</li> <li>- Testing the design and operating effectiveness of key controls over the completeness and accuracy of the data, the measurement of the fair value of the schemes' assets, understanding the judgements made in determining the assumptions used by management to value the employee liabilities with specific schemes and market practice;</li> <li>- Our audit procedures included an assessment of the assumptions used by the actuary by comparing life expectancy assumptions with relevant mortality tables, benchmarking inflation and discount rates against external market data. We verified the value of plan assets to the statements provided by asset management companies managing the plan assets and</li> <li>- Verification of disclosures related to significant litigations, taxation matters and Employee benefits liabilities in the standalone financial statements.</li> </ul>



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### INFORMATION OTHER THAN THE STANDALONE FINANCIAL STATEMENTS AND AUDITORS' REPORT THEREON

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

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

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

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

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

The Bank's Board of Directors is responsible for the matters stated in section 134(5) of the Act, with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Bank in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act, read with relevant rules issued thereunder, provisions of Section 29 of the Banking Regulation Act, 1949 and circulars and guidelines issued by the Reserve Bank of India ('RBI') from time to time. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Bank and for preventing and detecting frauds and other irregularities; selection

and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the standalone financial statements, Management and Board of Directors are responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

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

### AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE STANDALONE FINANCIAL STATEMENTS

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

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

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





## INDEPENDENT AUDITORS' REPORT (Contd.)

appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Bank has adequate internal financial controls system with reference to standalone financial statements in place and the operating effectiveness of such controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures in the standalone financial statements made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the standalone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

From the matters communicated with those charged with governance, we determine those matters that were of most

significance in the audit of the standalone financial statements for the financial year ended March 31, 2023 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The standalone Balance Sheet and the standalone Profit and Loss Account have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 and Section 133 of the Companies Act, 2013 read with relevant rules issued thereunder.

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

- (a) we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit and have found them to be satisfactory;
- (b) the transactions of the Bank, which have come to our notice, have been within the powers of the Bank; and
- (c) the profit and loss account shows a true balance of profit for the year then ended.

Further, as required by section 143(3) of the Act, we report that:

- a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- b) In our opinion, proper books of account as required by law have been kept by the Bank so far as it appears from our examination of those books
- c) The standalone Balance Sheet, the standalone Profit and Loss Account, the standalone Cash Flow Statement dealt with by this Report are in agreement with the books of account;
- d) In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with relevant rules issued thereunder to the extent they are not inconsistent with the accounting policies prescribed by RBI;
- e) On the basis of written representations received from the directors as on March 31, 2023 and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2023 from being appointed as a director in terms of Section 164(2) of the Act;





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- f) With respect to the adequacy of the internal financial controls over financial reporting of the Bank with reference to these standalone financial statements and the operating effectiveness of such controls, refer to our separate Report in "Annexure A" to this report;
- g) With regard to matters to be included in the Auditor's Report in accordance with the requirements of Section 197(16) of the Act, in our opinion, the entity being a banking company, the remuneration to its directors during the year ended March 31, 2023 has been paid/provided by the Bank in accordance with the provisions of section 35B (1) of the Banking Regulation Act, 1949, and;
- h) With respect to the other matters to be included in the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended, in our opinion and to the best of our information and according to the explanations given to us:
- i. The Bank has disclosed the impact of pending litigations on its financial position in its standalone financial statements - Refer Schedule 12 and Note No 3.6 under Schedule 18 to the standalone financial statements;
  - ii. The Bank has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long term contracts including derivative contracts - Refer Note 3.8 under Schedule 18 to the standalone financial statements; and
  - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Bank - Refer Note 3.10 under Schedule 18 to the standalone financial statements.
  - iv. a) The Management has represented that, to the best of its knowledge and belief, as disclosed in Note No.3.12 under Schedule 18 to the standalone financial statements, no funds (which are material either individually or in the aggregate) have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Bank to or in any other person or entity, including foreign entity ('Intermediaries'), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, whether, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Bank ('Ultimate Beneficiaries') or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries;
  - b) The Management has represented, that, to the best of its knowledge and belief, as disclosed in Note No.3.12 under Schedule 18 to the standalone financial statements, no funds (which are material either individually or in the aggregate) have been received by the Bank from any person or entity, including foreign entity ('Funding Parties'), with the understanding, whether recorded in writing or otherwise, that the Bank shall, whether, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ('Ultimate Beneficiaries') or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries;
  - c) Based on the audit procedures performed that have been considered reasonable and appropriate in the circumstances, nothing has come to our notice that has caused us to believe that the representations under sub-clause (i) and (ii) of Rule 11(e), as provided under (a) and (b) above, contain any material misstatement; and
  - v. The dividend declared and paid by the Bank is in accordance with sec.123 of the Act.
  - vi. Proviso to Rule 3(1) of the Companies (Accounts) Rules, 2014 is applicable to the Bank with effect from April 1, 2023, and accordingly, reporting under Rule 11(g) of Companies (Audit and Auditors) Rules, 2014 is not applicable for the financial year ended March 31, 2023.

For **Varma & Varma**  
Chartered Accountants  
FRN: 0045325

**Vijay Narayan Govind**  
Partner  
M. No.203094  
UDIN: 23203094BGXYMB9748

Kochi  
05th May, 2023

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

**Kaushal Muzumdar**  
Partner  
M. No. 100938  
UDIN: 23100938BGQQRH2390

Kochi  
05th May, 2023





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

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

We have audited the internal financial controls over financial reporting with reference to standalone financial statements of The Federal Bank Limited ('the Bank') as at March 31, 2023 in conjunction with our audit of the standalone financial statements of the Bank for the year ended on that date.

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

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

#### **Auditors' Responsibility**

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

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Bank's internal financial controls system over financial reporting.

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

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

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

Because of the inherent limitations of internal financial controls over financial reporting with reference to financial statements,





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

**Opinion**

In our opinion, the Bank has, in all material respects, an adequate internal financial controls system over financial reporting with reference to its standalone financial statements and such internal financial controls over financial reporting were operating effectively as at March 31, 2023, based on

the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note issued by the ICAI.

For **Varma & Varma**  
Chartered Accountants  
FRN: 0045325

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

**Vijay Narayan Govind**  
Partner  
M. No.203094  
UDIN: 23203094BGXYMB9748

**Kaushal Muzumdar**  
Partner  
M. No. 100938  
UDIN: 23100938BGQQRH2390

Kochi  
05th May, 2023

Kochi  
05th May, 2023





# BALANCE SHEET

AS AT MARCH 31, 2023

(₹ in Thousands)

	Schedule	As at March 31, 2023	As at March 31, 2022
<b>CAPITAL AND LIABILITIES</b>			
Capital	1	4,232,402	4,205,089
Reserves and surplus	2	210,829,966	183,733,307
Deposits	3	2,133,860,385	1,817,005,861
Borrowings	4	193,192,891	153,931,151
Other Liabilities and provisions	5	61,302,651	50,587,680
<b>TOTAL</b>		<b>2,603,418,295</b>	<b>2,209,463,088</b>
<b>ASSETS</b>			
Cash and balances with Reserve Bank of India	6	125,908,463	160,492,707
Balances with banks and money at call and short notice	7	50,978,343	49,610,748
Investments	8	489,833,470	391,794,616
Advances	9	1,744,468,846	1,449,283,246
Fixed assets	10	9,339,740	6,339,444
Other assets	11	182,889,433	151,942,327
<b>TOTAL</b>		<b>2,603,418,295</b>	<b>2,209,463,088</b>
Contingent liabilities	12	766,018,373	389,147,678
Bills for collection		56,694,543	50,132,757
Significant accounting policies	17		
Notes to accounts	18		
Schedules referred to above form an integral part of the Balance Sheet			

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

**Manikandan Muthiah**  
Head - Financial Reporting

**Samir P Rajdev**  
Company Secretary

**Shalini Warriar**  
Executive Director  
(DIN: 08257526)

**C Balagopal**  
Chairman  
(DIN: 00430938)

**Venkatraman Venkateswaran**  
Chief Financial Officer

**Shyam Srinivasan**  
Managing Director & CEO  
(DIN: 02274773)

**As per our report of even date**

For **Varma & Varma**  
Chartered Accountants  
Firm's Registration No: 0045325

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

**Vijay Narayan Govind**  
Partner  
Membership No: 203094

**Kaushal Muzumdar**  
Partner  
Membership No: 100938

**Directors:**

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

Place: Kochi  
Date : May 05, 2023





# PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED MARCH 31, 2023

(₹ in Thousands)

	Schedule	Year ended March 31, 2023	Year ended March 31, 2022
<b>I. INCOME</b>			
Interest earned	13	168,036,338	136,607,529
Other income	14	23,300,006	20,890,935
<b>TOTAL</b>		<b>191,336,344</b>	<b>157,498,464</b>
<b>II. EXPENDITURE</b>			
Interest expended	15	95,714,736	76,988,020
Operating expenses	16	47,677,655	42,931,938
Provisions and contingencies (Refer Note 1.14.5 of Schedule 18)		17,838,010	18,680,291
<b>TOTAL</b>		<b>161,230,401</b>	<b>138,600,249</b>
<b>III. PROFIT/(LOSS)</b>			
Net profit for the year		<b>30,105,943</b>	<b>18,898,215</b>
Profit brought forward from Previous Year		41,055,453	33,053,829
<b>TOTAL</b>		<b>71,161,396</b>	<b>51,952,044</b>
<b>IV. APPROPRIATIONS</b>			
Transfer to Revenue Reserve		4,265,747	2,667,208
Transfer to Statutory Reserve		7,526,486	4,724,554
Transfer to Capital Reserve		113,247	874,033
Transfer to Investment Fluctuation Reserve		9,690	-
Transfer to Special Reserve		1,606,900	1,233,400
Dividend pertaining to previous year paid during the year (Note 3.2 E of Schedule 18)		3,786,630	1,397,396
Balance carried over to Balance Sheet		53,852,696	41,055,453
<b>TOTAL</b>		<b>71,161,396</b>	<b>51,952,044</b>
Earnings per share (Face value of ₹ 2/- each) (₹) (Note 3.1 of Schedule 18)			
Basic		14.27	9.13
Diluted		14.13	9.06
Significant accounting policies	17		
Notes to accounts	18		
Schedules referred to above form an integral part of the Profit and Loss account			

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

**Manikandan Muthiah**  
Head - Financial Reporting

**Samir P Rajdev**  
Company Secretary

**Shalini Warriar**  
Executive Director  
(DIN: 08257526)

**C Balagopal**  
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(DIN: 00430938)

**Venkatraman Venkateswaran**  
Chief Financial Officer

**Shyam Srinivasan**  
Managing Director & CEO  
(DIN: 02274773)

**As per our report of even date**

For **Varma & Varma**  
Chartered Accountants  
Firm's Registration No: 0045325

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

**Vijay Narayan Govind**  
Partner  
Membership No: 203094

**Kaushal Muzumdar**  
Partner  
Membership No: 100938

**Directors:**

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

Place: Kochi  
Date : May 05, 2023





# CASH FLOW STATEMENT

FOR THE YEAR ENDED MARCH 31, 2023

(₹ in Thousands)

	Year ended March 31, 2023	Year ended March 31, 2022
<b>Cash Flow from Operating Activities</b>		
Net Profit before taxes	40,445,043	25,360,778
<b>Adjustments for:</b>		
Depreciation on Bank's Property	1,646,071	1,229,606
Provision / Depreciation on Investments	411,319	797,923
Amortisation of Premium on Held to Maturity Investments	1,744,601	1,692,231
Provision / Charge for Non Performing Advances	5,913,370	6,111,105
Provision for Standard Assets and Contingencies	1,652,330	6,122,201
(Profit)/Loss on sale of fixed assets (net)	(8,228)	(53,163)
Dividend From Subsidiaries / Joint ventures / Associates	(83,748)	(276,658)
Employees Stock Option Expense	11,075	5,142
	<b>51,731,833</b>	<b>40,989,165</b>
<b>Adjustments for working capital changes:-</b>		
(Increase)/ Decrease in Investments [excluding Held to Maturity Investments]	(6,566,878)	(32,877,753)
(Increase)/ Decrease in Advances	(301,098,970)	(136,608,336)
(Increase)/ Decrease in Other Assets	(29,749,203)	(27,943,619)
Increase/ (Decrease) in Deposits	316,854,524	90,561,060
Increase/ (Decrease) in Other Liabilities and Provisions	9,062,641	9,334,059
	<b>(11,497,886)</b>	<b>(97,534,589)</b>
Direct taxes paid (net)	(11,537,004)	(8,428,637)
<b>Net Cash Flow from / (used in) Operating Activities</b>	<b>28,696,943</b>	<b>(64,974,061)</b>
<b>Cash Flow from Investing Activities</b>		
Purchase of Fixed Assets	(4,668,282)	(2,677,042)
Proceeds from Sale of Fixed Assets	30,144	72,441
Dividend From Subsidiaries / Joint ventures / Associates	83,748	276,658
Investment in Subsidiary	-	(1,479,940)
Investment in Associate	-	(24,116)
(Increase)/ Decrease in Held to Maturity Investments	(93,627,897)	11,959,138
<b>Net Cash flow from / (used in) Investing Activities</b>	<b>(98,182,287)</b>	<b>8,127,139</b>





## CASH FLOW STATEMENT

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

(₹ in Thousands)

	Year ended March 31, 2023	Year ended March 31, 2022
<b>Cash Flow from Financing Activities</b>		
Proceeds from Issue of Share Capital	27,314	212,787
Proceeds from Share Premium (Net of share issue expenses)	924,872	9,038,453
Proceeds from Issue of Subordinate Debt	9,950,000	7,000,000
Increase/(Decrease) in Borrowings (Excluding Subordinate Debt)	29,311,740	56,246,118
Dividend Paid	(3,786,630)	(1,397,396)
<b>Net Cash flow from / (used in) Financing Activities</b>	<b>36,427,296</b>	<b>71,099,962</b>
<b>Effect of exchange fluctuation on translation reserve</b>	<b>(158,601)</b>	<b>(63,456)</b>
<b>Net Increase / (Decrease) in Cash and Cash Equivalents</b>	<b>(33,216,649)</b>	<b>14,189,584</b>
<b>Cash and Cash Equivalents at the beginning of the year</b>	<b>210,103,455</b>	<b>195,913,871</b>
<b>Cash and Cash Equivalents at the end of the year</b>	<b>176,886,806</b>	<b>210,103,455</b>

### Notes:

- Cash and Cash Equivalents comprises of Cash in hand (including foreign currency notes), Balances with Reserve Bank of India, Balances with banks and money at call and short notice (Refer Schedules 6 and 7 of the Balance Sheet)
- Corporate Social Responsibility related expenses spent in cash during the year is ₹ 438,803 Thousands (Previous Year: ₹ 400,601 Thousands)

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

**Manikandan Muthiah**  
Head - Financial Reporting

**Samir P Rajdev**  
Company Secretary

**Shalini Warriar**  
Executive Director  
(DIN: 08257526)

**C Balagopal**  
Chairman  
(DIN: 00430938)

**Venkatraman Venkateswaran**  
Chief Financial Officer

**Shyam Srinivasan**  
Managing Director & CEO  
(DIN: 02274773)

### As per our report of even date

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

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

**Vijay Narayan Govind**  
Partner  
Membership No: 203094

**Kaushal Muzumdar**  
Partner  
Membership No: 100938

### Directors:

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

Place: Kochi  
Date : May 05, 2023





## SCHEDULES FORMING PART OF THE BALANCE SHEET

### SCHEDULE 1 - CAPITAL

(₹ in Thousands)

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

Refer Note 3.2 of Schedule 18

### SCHEDULE 2 - RESERVES AND SURPLUS

(₹ in Thousands)

	As at March 31, 2023	As at March 31, 2022
<b>I. Statutory Reserve</b>		
Opening balance	38,534,280	33,809,726
Additions during the year	7,526,486	4,724,554
	<b>46,060,766</b>	<b>38,534,280</b>
<b>II. Capital Reserves</b>		
a) Revaluation Reserve		
Opening balance	50,091	50,091
	<b>50,091</b>	<b>50,091</b>
b) Others		
Opening balance	7,454,496	6,580,463
Additions during the year*	113,247	874,033
	<b>7,567,743</b>	<b>7,454,496</b>
<b>Subtotal</b>	<b>7,617,834</b>	<b>7,504,587</b>
<b>III. Share premium</b> (Refer Note 3.2 of Schedule 18)		
Opening balance	60,791,347	51,752,894
Additions during the year	924,872	9,038,453
	<b>61,716,219</b>	<b>60,791,347</b>
<b>IV. Revenue and Other Reserves</b>		
a) Revenue Reserve		
Opening Balance	25,133,417	22,466,209
Additions during the year	4,265,747	2,667,208
	<b>29,399,164</b>	<b>25,133,417</b>
b) Investment Fluctuation Reserve (Refer Note 1.2.1 B of Schedule 18)		
Opening Balance	1,897,200	1,897,200
Additions during the year	9,690	-
	<b>1,906,890</b>	<b>1,897,200</b>





SCHEDULES FORMING PART OF THE BALANCE SHEET (Contd.)

(₹ in Thousands)

	As at March 31, 2023	As at March 31, 2022
c) Special Reserve (As per section 36(1)(viii) of Income Tax Act, 1961)		
Opening balance	8,483,200	7,249,800
Additions during the year	1,606,900	1,233,400
	<b>10,090,100</b>	<b>8,483,200</b>
<b>V. Foreign Currency Translation Reserve</b>		
Opening Balance	19,116	82,572
Additions / (Deductions) during the year [Refer Schedule 17 (4.6)]	(158,601)	(63,456)
	<b>(139,485)</b>	<b>19,116</b>
<b>VI. ESOP Reserve</b>		
Opening Balance	13,704	8,562
Additions during the year	11,075	5,142
	<b>24,779</b>	<b>13,704</b>
<b>VII. Contingency Reserve</b>		
Opening balance	301,003	301,003
	<b>301,003</b>	<b>301,003</b>
<b>VIII. Balance in Profit and Loss Account</b>	<b>53,852,696</b>	<b>41,055,453</b>
<b>Total</b>	<b>210,829,966</b>	<b>183,733,307</b>

\* - Includes Profit appropriated to Capital Reserve (net of applicable taxes and transfer to statutory reserve) on :

- a) Gain on sale of Held to Maturity Investments ₹ 111,106 Thousands (Previous year ₹ 842,569 Thousands)
- b) Profit on sale of Premises ₹ 2,141 Thousands (Previous year ₹ 31,464 Thousands)

**SCHEDULE 3 - DEPOSITS**

(₹ in Thousands)

	As at March 31, 2023	As at March 31, 2022
A. I. Demand Deposits		
i. From Banks	2,179,831	6,176,235
ii. From Others	155,654,726	137,707,100
	<b>157,834,557</b>	<b>143,883,335</b>
II. Savings Bank Deposits	<b>543,369,909</b>	<b>530,826,744</b>
III. Term Deposits		
i. From Banks	23,697,209	9,534,129
ii. From Others	1,408,958,710	1,132,761,653
	<b>1,432,655,919</b>	<b>1,142,295,782</b>
<b>Total</b>	<b>2,133,860,385</b>	<b>1,817,005,861</b>
B. I. Deposits of branches in India	2,133,576,516	1,817,002,880
II. Deposits of branches outside India	283,869	2,981
<b>Total</b>	<b>2,133,860,385</b>	<b>1,817,005,861</b>





SCHEDULES FORMING PART OF THE BALANCE SHEET (Contd.)

**SCHEDULE 4 - BORROWINGS**

(₹ in Thousands)

	As at March 31, 2023	As at March 31, 2022
I. Borrowings in India		
i. Reserve Bank of India	-	-
ii. Other Banks	978,000	743,000
iii. Other institutions and agencies	161,875,129	133,754,081
<b>Total</b>	<b>162,853,129</b>	<b>134,497,081</b>
II. Borrowings outside India	30,339,762	19,434,070
<b>Total</b>	<b>193,192,891</b>	<b>153,931,151</b>
a) Secured borrowings included in I and II above	142,903,129	124,497,082
b) Tier II bond included in I(ii) & I(iii) above	19,950,000	10,000,000

**SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS**

(₹ in Thousands)

	As at March 31, 2023	As at March 31, 2022
I. Bills Payable	6,254,620	6,175,507
II. Inter - office adjustments (Net)	-	-
III. Interest accrued	5,972,034	2,563,996
IV. Others (including provisions)*	49,075,997	41,848,177
<b>Total</b>	<b>61,302,651</b>	<b>50,587,680</b>
*Includes		
General provision for standard assets (Refer Note 1.4.10 of Schedule 18)	14,484,103	13,155,103

**SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA**

(₹ in Thousands)

	As at March 31, 2023	As at March 31, 2022
I. Cash in hand (including foreign currency notes)	10,705,056	17,128,797
II. Balance with Reserve Bank of India		
i. in Current Accounts	99,203,407	82,863,910
ii. in Other Accounts	16,000,000	60,500,000
<b>Total</b>	<b>125,908,463</b>	<b>160,492,707</b>

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

(₹ in Thousands)

	As at March 31, 2023	As at March 31, 2022
I. In India		
i. Balances with banks		
a. in Current Accounts	5,695,142	3,808,853
b. in Other Deposit Accounts	402,500	3,632,500
ii. Money at call and short notice		
a. With Banks	-	-
b. With other institutions	4,992,580	1,500,000
<b>Total</b>	<b>11,090,222</b>	<b>8,941,353</b>



SCHEDULES FORMING PART OF THE BALANCE SHEET (Contd.)

(₹ in Thousands)

	As at March 31, 2023	As at March 31, 2022
II. Outside India		
i. in Current Accounts	5,376,721	9,063,922
ii. in Other Deposit Accounts	34,511,400	29,938,038
iii. Money at call and short notice	-	1,667,435
<b>Total</b>	<b>39,888,121</b>	<b>40,669,395</b>
<b>Grand Total (I and II)</b>	<b>50,978,343</b>	<b>49,610,748</b>

**SCHEDULE 8 - INVESTMENTS**

(₹ in Thousands)

	As at March 31, 2023	As at March 31, 2022
I. Investments in India in :		
i. Government Securities #	423,955,328	348,660,619
ii. Other approved Securities	-	-
iii. Shares	5,525,238	4,542,942
iv. Debentures and Bonds	23,478,022	15,815,372
v. Subsidiaries/ Joint Ventures	6,688,020	6,688,020
vi. Others @	28,837,118	15,487,304
<b>Total</b>	<b>488,483,726</b>	<b>391,194,257</b>
II. Investments outside India		
i. Government Securities (including Local authorities)	24,526	439,301
ii. Subsidiaries / Joint Ventures abroad	-	-
iii. Other investments		
a. Debentures and Bonds	504,502	151,737
b. Shares	10,105	9,321
c. Others (Certificate of Deposit)	810,611	-
<b>Total</b>	<b>1,349,744</b>	<b>600,359</b>
<b>Grand Total (I and II)</b>	<b>489,833,470</b>	<b>391,794,616</b>
Gross Investments		
In India	493,849,157	396,157,926
Outside India	1,351,468	600,359
<b>Total</b>	<b>495,200,625</b>	<b>396,758,285</b>
Depreciation/ Provision for Investments		
In India	5,365,431	4,963,669
Outside India	1,724	-
<b>Total</b>	<b>5,367,155</b>	<b>4,963,669</b>
Net Investments		
In India	488,483,726	391,194,257
Outside India	1,349,744	600,359
<b>Total</b>	<b>489,833,470</b>	<b>391,794,616</b>

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





SCHEDULES FORMING PART OF THE BALANCE SHEET (Contd.)

@ Comprises of:

(₹ in Thousands)

	As at March 31, 2023	As at March 31, 2022
Pass through certificates (PTCs)	25,761,611	5,596,808
Certificate of Deposits	1,340,611	5,323,433
Commercial Paper	492,518	2,481,328
Venture Capital Funds (VCFs)	1,242,378	1,141,681
Security Receipts	-	694,067
Mutual Fund	-	249,987
<b>Total</b>	<b>28,837,118</b>	<b>15,487,304</b>

**SCHEDULE 9 - ADVANCES**

(₹ in Thousands)

	As at March 31, 2023	As at March 31, 2022
A. i. Bills purchased and discounted	41,692,972	35,191,053
ii. Cash credits, overdrafts and loans repayable on demand	760,275,257	644,695,456
iii. Term loans	942,500,617	769,396,737
<b>Total</b>	<b>1,744,468,846</b>	<b>1,449,283,246</b>
B. i. Secured by tangible assets*	1,461,807,416	1,192,712,986
ii. Covered by Bank/Government guarantees #	18,521,711	17,611,147
iii. Unsecured	264,139,719	238,959,113
<b>Total</b>	<b>1,744,468,846</b>	<b>1,449,283,246</b>
C. I. Advances in India		
i. Priority sectors	559,026,962	442,727,087
ii. Public sector	124,018	1,234,065
iii. Banks	1,275,342	1,951
iv. Others	1,156,967,913	989,348,658
<b>Total</b>	<b>1,717,394,235</b>	<b>1,433,311,761</b>
C. II. Advances outside India (Refer note 1.4.3 of Schedule 18)		
i. Due from Banks	794,011	528,747
ii. Due from Others		
a) Bills purchased and discounted	-	-
b) Syndicated Loans	9,938,657	3,717,803
c) Others	16,341,943	11,724,935
<b>Total</b>	<b>27,074,611</b>	<b>15,971,485</b>
<b>Grand Total (C I and C II)</b>	<b>1,744,468,846</b>	<b>1,449,283,246</b>

\* Includes Advances against book debts

# Includes Advances against Letter of Credit issued by banks

(Advances are net of provisions)



SCHEDULES FORMING PART OF THE BALANCE SHEET (Contd.)

**SCHEDULE 10 - FIXED ASSETS**

(₹ in Thousands)

	As at March 31, 2023	As at March 31, 2022
<b>A. Premises #</b>		
<b>Gross Block</b>		
At the beginning of the year	2,968,642	2,436,549
Additions during the year	780,062	533,626
Deductions during the year	5,828	1,533
At the end of the year	<b>3,742,876</b>	<b>2,968,642</b>
<b>Depreciation</b>		
As at the beginning of the year	1,065,719	1,023,451
Charge for the Year	62,800	42,268
Deductions during the year	1,815	-
Depreciation to date	<b>1,126,704</b>	<b>1,065,719</b>
<b>Net Block</b>	<b>2,616,172</b>	<b>1,902,923</b>
<b>B. Other fixed assets</b>		
(including furniture and fixtures)		
<b>Gross Block</b>		
At the beginning of the year	14,520,202	12,789,402
Additions during the year	3,361,381	1,982,775
Deductions during the year	525,031	251,975
At the end of the year	<b>17,356,552</b>	<b>14,520,202</b>
<b>Depreciation</b>		
As at the beginning of the year	10,365,498	9,412,390
Charge for the year	1,583,271	1,187,339
Deductions during the year	507,130	234,231
Depreciation to date	<b>11,441,639</b>	<b>10,365,498</b>
<b>Net Block</b>	<b>5,914,913</b>	<b>4,154,704</b>
<b>C. Capital Work in progress (Including Capital Advances)</b>	<b>808,655</b>	<b>281,817</b>
<b>Grand Total (A+B+C)</b>	<b>9,339,740</b>	<b>6,339,444</b>

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

**SCHEDULE 11 - OTHER ASSETS**

(₹ in Thousands)

	As at March 31, 2023	As at March 31, 2022
I. Inter - office adjustments (net)	-	-
II. Interest accrued	15,274,277	11,473,117
III. Tax paid in advance/Tax Deducted at source (Net of provision)	13,375,417	11,735,513
IV. Stationery and Stamps	15,676	11,895
V. Non-banking assets acquired in satisfaction of claims	2,926	3,936
VI. Others #	154,221,137	128,717,866
<b>Total</b>	<b>182,889,433</b>	<b>151,942,327</b>





SCHEDULES FORMING PART OF THE BALANCE SHEET (Contd.)

(₹ in Thousands)

	As at March 31, 2023	As at March 31, 2022
# Includes		
(a) Priority sector shortfall deposits	131,167,873	109,941,405
(b) Security deposits	2,392,736	2,169,125
(c) Deferred Tax Asset (Net) (Refer Note 2.4 of Schedule 18)	817,425	1,259,425

**SCHEDULE 12 - CONTINGENT LIABILITIES**

(₹ in Thousands)

	As at March 31, 2023	As at March 31, 2022
I. Claims against the Bank not acknowledged as debts	18,463,344	16,876,238
II. Liability on account of outstanding forward exchange contracts**	610,661,759	266,022,356
III. Guarantees given on behalf of constituents - in India	107,735,581	78,761,957
IV. Acceptances, endorsements and other obligations	25,350,115	22,885,851
V. Other items for which the Bank is contingently liable@	3,807,574	4,601,276
<b>Total</b>	<b>766,018,373</b>	<b>389,147,678</b>
(Refer Note 3.6 of Schedule 18)		
** - Includes		
(a) Contingent liability on Forward Exchange Contracts	384,868,019	189,738,623
(b) Contingent liability for Derivatives	225,793,740	76,283,733
@ - includes ₹ 2,796,757 Thousands (Previous Year : ₹ 2,486,487 Thousands) being amount transferred to DEA Fund Cell, RBI and outstanding, as per RBI circular DBOD. No.DEAF Cell.BC.114/30.01.002/2013-14 (Refer Note 1.10 of Schedule 18).		





# SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT

## SCHEDULE 13 - INTEREST EARNED

(₹ in Thousands)

	Year ended March 31, 2023	Year ended March 31, 2022
I. Interest/discount on advances/bills	134,918,414	108,297,529
II. Income on investments	27,955,686	23,386,652
III. Interest on balances with Reserve Bank of India and other inter-bank funds	2,062,522	2,202,669
IV. Others*	3,099,716	2,720,679
<b>Total</b>	<b>168,036,338</b>	<b>136,607,529</b>

\* - Includes interest on Income tax refunds amounting to ₹ Nil (Previous year ₹ 288,748 thousands) accounted based on Assessment orders received.

## SCHEDULE 14 - OTHER INCOME

(₹ in Thousands)

	Year ended March 31, 2023	Year ended March 31, 2022
I. Commission, exchange and brokerage	18,021,479	12,830,973
II. Profit on sale of investments (Net)	775,334	3,842,303
III. Profit / (Loss) on revaluation of investments (Net)	(478,109)	(813,501)
IV. Profit / (Loss) on sale of land, buildings and other assets (Net)	8,228	53,163
V. Profit on foreign exchange/derivative transactions (Net)	2,971,391	2,420,161
VI. Income earned by way of dividends etc. from subsidiaries / associates and / or joint ventures.	83,748	276,658
VII. Miscellaneous income**	1,917,935	2,281,178
<b>Total</b>	<b>23,300,006</b>	<b>20,890,935</b>

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

## SCHEDULE 15 - INTEREST EXPENDED

(₹ in Thousands)

	Year ended March 31, 2023	Year ended March 31, 2022
I. Interest on deposits	86,130,177	73,328,832
II. Interest on Reserve Bank of India/Inter bank borrowings	906,535	358,479
III. Others	8,678,024	3,300,709
<b>Total</b>	<b>95,714,736</b>	<b>76,988,020</b>

## SCHEDULE 16 - OPERATING EXPENSES

(₹ in Thousands)

	Year ended March 31, 2023	Year ended March 31, 2022
I. Payments to and provisions for employees	21,730,020	23,205,537
II. Rent, taxes and lighting	3,719,346	3,191,096
III. Printing and stationery	501,645	272,291
IV. Advertisement and publicity	391,789	113,662
V. Depreciation on Bank's property	1,646,071	1,229,606
VI. Directors' fees, allowances and expenses	34,762	28,899
VII. Auditors' fees and expenses (including branch auditors' fees and expenses)	52,562	70,579
VIII. Law charges	207,059	123,811
IX. Postage, Telegrams, Telephones etc	1,139,026	826,566
X. Repairs and maintenance	916,082	747,454
XI. Insurance	2,296,985	2,132,461
XII. Other expenditure#	15,042,308	10,989,976
<b>Total</b>	<b>47,677,655</b>	<b>42,931,938</b>

# - Includes Corporate Social Responsibility expenditure amounting to ₹ 438,803 Thousands (Previous Year: ₹ 400,601 Thousands)





## **SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES APPENDED TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023**

### **1. BACKGROUND**

The Federal Bank Limited ('the Bank') was incorporated on April 23, 1931 as Travancore Federal Bank Limited to cater to the banking needs of Travancore Province. It embarked on a phase of sustained growth under the leadership of Late K.P. Hormis. The Bank is a publicly held banking company with a network of 1,355 branches in India and provides banking and financial services including retail and corporate banking, para banking activities such as debit and credit card, third party product distribution etc., treasury and foreign exchange business. The Bank is governed by the Banking Regulation Act, 1949, the Companies Act, 2013 and other applicable Acts / Regulations. The Bank's shares are listed on BSE Limited and National Stock Exchange of India Limited. The Global Depository Receipts issued by the Bank in 2006 have been listed on London Stock Exchange. The Bank also has its Digital Banking Unit at Kolkata, Representative Office at Abu Dhabi & Dubai and had set up an International Financial Service Centre (IFSC) Banking unit (IBU) in Gujarat International Finance Tec-City (GIFT City). IBU at Gift city is equivalent to an Offshore Banking unit, for all regulatory purposes.

### **2. BASIS OF PREPARATION**

The Standalone Financial Statements ('Financial Statements') have been prepared and presented in accordance with the statutory requirements prescribed under the Third Schedule (Form A and Form B) of the Banking Regulation Act, 1949. The accounting and reporting policies of the Bank used in the preparation of these financial statements conform to Generally Accepted Accounting Principles in India ("Indian GAAP"), the circulars, notifications, guidelines and directives issued by the Reserve Bank of India ('RBI') from time to time, the Accounting Standards issued by Institute of Chartered Accountants of India (ICAI) as prescribed under Section 133 of the Companies Act, 2013 ("the Act") read together with the Companies (Accounting Standards) Rules, 2021 and other relevant provisions of the Act, and current practices prevailing within the banking industry in India. The Bank follows the historical cost convention and accrual method of accounting in the preparation of the financial statements, except as otherwise stated. The accounting policies adopted in the preparation of financial statements are consistent with those followed in the previous year except as otherwise stated.

### **3. USE OF ESTIMATES**

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

### **4. SIGNIFICANT ACCOUNTING POLICIES**

#### **4.1 INVESTMENTS**

##### *Classification*

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

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

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

##### *Basis of Classification*

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

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

##### *Transfer of securities between Categories*

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



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

### Acquisition Cost

In determining the acquisition cost of the Investment:

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

### Valuation

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

- a) Held for Trading /Available for Sale – Investments classified under the AFS and HFT categories are marked-to-market. The 'market value' for quoted securities included under AFS and HFT categories shall be the prices declared by the Financial Benchmark India Private Private (FBIL). For securities whose prices are not published by FBIL, market price of quoted security shall be as available from the trades/ quotes on the stock exchanges/ reporting platforms/trading platforms authorised by RBI/SEBI and prices declared by the Fixed Income Money Market and Derivatives Association of India (FIMMDA). Net depreciation, if any, within each category of each investment classification is recognised in Profit and Loss Account. The net appreciation, if any, under each category of each Investment classification is ignored. The depreciation on securities acquired on conversion of outstanding loan is provided in accordance with RBI guidelines. Depreciation on the securities acquired by way of conversion of outstanding loan (restructured) is not offset against the appreciation in other securities. Except in cases where provision for diminution other than temporary is created, the Book value of individual securities is not changed consequent to the periodic valuation of Investments.
- b) Held to Maturity– These are carried at their acquisition cost. Any premium on acquisition is amortised over the remaining maturity period of the security on a straight-line basis. Any diminution, other than temporary, in the value of such securities is provided for.
- c) Treasury Bills, Commercial paper and Certificate of Deposits being discounted instruments, are valued at carrying cost.
- d) Units of Mutual Funds are valued at the latest repurchase price/net asset value declared by Mutual Fund.
- e) Market value of investments where current quotations are not available, is determined as per the norms prescribed by the RBI as under:
  - In case of unquoted bonds, debentures and preference shares where interest/dividend is received regularly (i.e. not overdue beyond 90 days), the market price is derived based on the Yield to Maturity (YTM) for Government Securities as published by FBIL / FIMMDA and suitably marked up for credit risk applicable to the credit rating of the instrument. The matrix for credit risk mark-up for each category and credit ratings along with residual maturity issued by FIMMDA/ FBIL are adopted for this purpose.
  - Pass Through Certificates ('PTC') and Priority Sector PTCs are valued as per extant FIMMDA guidelines
  - In case of bonds and debentures (including Pass Through Certificates or PTCs) where interest is not received regularly (i.e. overdue beyond 90 days), the valuation is in accordance with prudential norms for provisioning as prescribed by RBI.
  - Equity shares, for which current quotations are not available or where the shares are not quoted on the stock exchanges, are valued at break-up value (without considering revaluation reserves, if any) which is ascertained from the company's latest Balance Sheet. In case the latest Balance Sheet is not available, the shares are valued at ₹1/- per company based on the stipulated norms as per RBI circular.
  - Units of Venture Capital Funds (VCF) held under AFS category where current quotations are not available are marked to market based on the Net Asset Value (NAV) shown by VCF as per the latest audited financials of the fund. In case the





## **SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES APPENDED TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)**

audited financials are not available for a period beyond 18 months, the investments are valued at ₹1/- per VCF. Investment in unquoted VCF are categorised under HTM category for the initial period of three years and valued at cost as per RBI guidelines.

- Investments in Security Receipts are valued as per the latest NAV obtained from issuing Asset Reconstruction Companies, subject to floor provision requirements as per RBI guidelines.
- f) Investments in subsidiaries/associates as per RBI guidelines are categorised as HTM and assessed for impairment to determine permanent diminution, if any.
- g) The Bank follows settlement date method of accounting for purchase and sale of investments.
- h) Non-Performing Investments are identified and valued based on RBI Guidelines. Provision for depreciation on non-performing investments is not offset against the appreciation in respect of other performing securities. Interest on non-performing investments is not reckoned in profit and loss account until it is received.

### **Disposal of Investments**

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

### **Repurchase and Reverse Repurchase Transactions**

In accordance with the RBI guidelines, repurchase (Repo) and reverse repurchase (Reverse Repo) transactions in government securities and corporate debt securities including those conducted under the Liquidity Adjustment Facility ('LAF') and Marginal Standby Facility ('MSF') with RBI are accounted as collateralised borrowing and lending respectively. Balance in Repo Account is classified under Schedule 4 -Borrowings. Balance in Reverse Repo account with RBI is classified under Schedule 6 (II) (ii) -

Balance with RBI in Other accounts. Other balances in Reverse Repo Accounts with original tenor of 14 days or less are classified under Schedule 7 -Balance with Banks and Money at call & short notice. While Reverse Repos with original maturity more than 14 days are classified under Schedule 9 -Advances. Borrowing cost on repo transactions is accounted as interest expense and revenue on reverse repo transactions is accounted as interest income.

### **Short Sales**

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

## **4.2 ADVANCES**

### **Classification**

Advances are classified into performing (Standard) and non-performing ('NPAs') as per the RBI guidelines and are stated net of bills rediscounted, inter-bank participation certificates issued with risk sharing, specific provisions made towards NPAs, floating provisions and unrealised interest on NPAs. Further, NPAs are classified into sub-standard, doubtful and loss assets based on the criteria as per Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances (IRAC) issued by RBI. Interest on Non-Performing advances is transferred to an unrealised interest account and not recognised in profit and loss account until received.

### **Provisioning**

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

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

The Bank maintains general provision for standard assets including credit exposures computed as per the current marked to market values of interest rate and foreign



## **SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES APPENDED TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)**

exchange derivative contracts, in accordance with the guidelines and at levels stipulated by RBI from time to time. The Provision is classified under Schedule 5 – Other Liabilities in the Balance Sheet.

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

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

The Bank makes additional provisions as per RBI's guidelines on 'Prudential Framework on Resolution of Stressed Assets' dated June 07, 2019 on accounts in default and with aggregate exposure above the threshold limits as laid down in the said framework where the resolution plan is not implemented within the specified timeline.

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

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

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

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

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

### **4.3 SECURITISATION AND TRANSFER OF ASSETS**

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

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

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

### **4.4 COUNTRY RISK**

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

### **4.5 PRIORITY SECTOR LENDING CERTIFICATES (PSLC)**

The Bank vide RBI circular FIDD.CO.Plan.BC.23/04.09.01/2015-16 dated April 07, 2016 trades in priority sector portfolio by selling or buying PSLC. In the case of a sale transaction, the Bank sells the fulfillment of priority





## **SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES APPENDED TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)**

sector obligation and in the case of a purchase transaction the Bank buys the fulfillment of priority sector obligation through RBI trading platform. There is no transfer of risks or loan assets in these transactions. The fee paid for purchase of the PSLC is treated as an 'Expense' and the fee received from the sale of PSLCs is treated as 'Other Income'.

### **4.6 TRANSACTIONS INVOLVING FOREIGN EXCHANGE**

In respect of domestic operations:

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

In respect of Non-Integral Foreign Branches:

- Income and expenditure items are translated at quarterly average closing rates.
- Both Monetary and Non- Monetary foreign currency Assets and liabilities are translated at closing exchange rates notified by Foreign Exchange Dealers Association of India (FEDAI) at the Balance Sheet date.
- The resulting profit/loss arising from exchange differences are accumulated in Foreign Currency Translation Reserve until remittance or the disposal of the net investment in the non-integral foreign operations in accordance with AS-11. Any realised gains or losses on such disposal are recognised in the Profit and Loss Account.

Valuation of Foreign Exchange Spot and Forward Contracts

- Foreign exchange spot and forward Contracts (Other than the forwards / swaps marked under Funding category) outstanding as at the Balance Sheet date are revalued at the closing Spot and Forward Rates respectively as notified by FEDAI and at interpolated / extrapolated rates for contracts of interim maturities.
- For valuation of contracts having longer maturities i.e. greater than one year, the forward points (for rates/tenures not published by FEDAI) are obtained from Reuters for valuation of the FX Deals.

- As per directions of FEDAI, the profit or loss is considered on present value basis by discounting the forward profit or loss till the valuation date using discounting yields. The resulting profit or loss on valuation is recognised in the Profit and Loss Account.

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

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

### **4.7 DERIVATIVE TRANSACTIONS**

The Bank recognises all derivative contracts at fair value, on the date on which the derivative contracts are entered into and are re-measured at fair value as at the Balance sheet or reporting dates. Derivatives are classified as assets when the fair value is positive (Positive marked-to-market) or as liabilities when the fair value is negative (negative marked-to-market). Changes in the fair value of derivatives are recognised in the Profit and Loss Account. For hedge transactions, the Bank identifies the hedged item (asset or liability) at the inception of the transaction itself. The effectiveness is ascertained at the time of inception of the hedge and periodically thereafter. Hedge derivative transactions are accounted for in accordance with the hedge accounting principles.

### **4.8 REVENUE RECOGNITION**

- Interest income is recognised in the profit and loss account on an accrual basis in accordance with AS – 9, 'Revenue Recognition' as notified under Section 133 of the Companies Act, 2013 read together with the Companies (Accounting Standards) Rules, 2021 and the RBI guidelines, except interest income on non-performing assets which is recognised upon receipt basis as specified in RBI guidelines.
- Interest on income tax refund is recognised in the year of receipt of Assessment Orders.
- The recoveries made from NPA accounts are appropriated based on "first in first out" policy; i.e. the earliest entry shall be realised first. If different entries are made in the account on the same day, the realisation shall be in the order of charges, interest, and principal.





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

- Processing fees collected on loans disbursed, along with related loan acquisition costs are recognised at inception/ renewal of the loan.
- Income on discounted instruments is recognised over the tenure of the instrument on a straight-line basis.
- Guarantee commission, commission on letter of credit and annual locker rent fees, are recognised on a straight-line basis over the period of contract. Other fees and commission income are recognised when due, except in cases where the Bank is uncertain of ultimate collection.
- Dividend on Equity Shares, Preference Shares and on Mutual Funds is recognised as Income when the right to receive the dividend is established.
- Loan Syndication fee is accounted for on completion of the agreed service and when right to receive is established.
- In compromise settlement cases, sacrifice on settlement is accounted upfront.
- Unpaid funded interest on term loans are accounted on realisation as per the guidelines of RBI.
- The difference between the sale price and purchase cost of gold coins, received on consignment basis is included in other income. The Bank also deals in bullion on a borrowing and lending basis and the interest paid/received is accounted on an accrual basis.
- Gain/loss on sell down of loans and advances through direct assignment is recognised at the time of sale.
- In respect of non-performing assets acquired from other Banks / FIs and NBFCs, collections in excess of the consideration paid at each asset level or portfolio level is treated as income in accordance with RBI guidelines and clarifications.

**4.9 FIXED ASSETS AND DEPRECIATION / AMORTISATION**

Fixed assets are carried at cost of acquisition less accumulated depreciation, amortisation and impairment, if any. Cost includes cost of purchase and all expenditure like freight, duties, taxes and incidental expenses related to the acquisition and installation of the asset before it is ready to use. Taxes like GST paid on Fixed assets wherever eligible are availed as ITC as per GST rules. Subsequent

expenditure incurred on assets put to use is capitalised only when it increases the future economic benefit / functioning capability from / of such assets.

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

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

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

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

<b>Asset</b>	<b>Estimated useful life as assessed by the Bank</b>	<b>Estimated useful life specified under Schedule II of the Companies Act, 2013</b>
Premises	60 Years	60 Years
Electric equipment and installations	10 Years	10 Years
Furniture and fixtures	10 Years	10 Years
Motor Cars	8 Years	8 Years
Servers, Firewall & Network Equipment	6 Years	6 Years
ATM / CDM / Recyclers etc.	5 Years	15 Years
Currency Sorting Machines	5 Years	5 Years





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

Asset	Estimated useful life as assessed by the Bank	Estimated useful life specified under Schedule II of the Companies Act, 2013
Office equipments	5 Years	5 Years
Computer hardware	3 Years	3 Years
Modem, scanner, routers, switches etc.	3 Years	6 Years

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

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

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

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

**4.10 IMPAIRMENT OF ASSETS**

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

**4.11 NON-BANKING ASSETS ACQUIRED IN SATISFACTION OF CLAIMS**

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

**4.12 LEASE TRANSACTIONS**

**Operating Lease**

Leases where the lessor effectively retains substantially all the risks and benefits of ownership over the lease

term are classified as operating lease. Lease payments for assets taken on operating lease are recognised as an expense in the Profit and Loss Account as per the lease terms. Initial direct costs in respect of operating leases such as legal costs, brokerage costs, etc. are recognised as expense immediately in the Profit and Loss Account.

**4.13 EMPLOYEE BENEFITS**

**Defined Contribution Plan**

**a) Provident Fund**

Employees covered under contributory provident fund scheme are entitled for retirement benefit in the form of provident fund, which is a defined contribution plan. Aggregate contributions along with interest thereon are paid on retirement, death, incapacitation, or termination of employment. Both the employee and the Bank contribute at specific rates of the salary to the provident fund account maintained with the Federal Bank (Employees') Provident Fund Trust. The contribution paid/payable by the Bank to The Federal Bank (Employees') Provident Fund Trust, administered by the trustees, is charged to the Profit and Loss account.

**b) National Pension System ('NPS')**

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

**Defined Benefit Plan**

**a) Pension Fund**

Employees covered under pension scheme are entitled to get pension benefits, which is a defined benefit plan. The Bank contributes at specific rates of the salary to the Federal Bank (Employees') Pension Fund Trust set up by the Bank and administered by the Trustees. Additional amount being the liability shortfall as ascertained by an independent actuary,



## **SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES APPENDED TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)**

contributed towards The Federal Bank Employees' Pension Fund, is determined on actuarial basis on projected unit credit method as on the Balance Sheet dates. The contribution paid/payable by the Bank to Federal Bank Employees' Pension Fund is charged to the Profit and Loss account.

### **b) Gratuity**

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

### **Other Employee Benefits**

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

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

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

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

#### **4.14 EMPLOYEE STOCK OPTION SCHEME**

The Bank has formulated Employee Stock Option Scheme (ESOS) 2010 & Employee Stock Option Scheme (ESOS) 2017 in accordance with Securities and Exchange Board of India (Employee Stock Option Scheme) Guidelines, 1999, and the same is in consonance as per the provisions

and requirements under the SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021. The Schemes provided for grant of options to Employees and whole time Directors of the Bank to acquire Equity Shares of the Bank that vest in a graded manner and that are to be exercised within a specified period.

In accordance with the SEBI Guidelines and the Guidance Note on "Accounting for Share-based payments" issued by the ICAI, the Bank follows 'Intrinsic value method' for accounting of ESOS based on which, the excess, if any, of the closing market price of the share on the date preceding the date of grant of the option under ESOS over the exercise price of the option is amortised on a straight line basis over the vesting period.

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

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

#### **4.15 DEBIT AND CREDIT CARD REWARD POINTS**

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

#### **4.16 TAXATION**

Income tax expense is the aggregate amount of current tax and deferred tax incurred by the Bank. The current





## **SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES APPENDED TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)**

tax expense and deferred tax expense is determined in accordance with the provisions of the Income Tax Act, 1961, the rules framed there under and considering the material principles set out in Income Computation and Disclosure Standards and as per Accounting Standard 22 – “Accounting for Taxes on Income” issued by the ICAI, as notified under Section 133 of the Companies Act, 2013 read together with the Companies (Accounting Standards) Rules, 2021.

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

Deferred tax is recognised on timing differences, being the differences between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted as at the reporting date. Deferred tax liabilities are recognised for all timing differences. Deferred tax assets are recognised for timing differences of items other than unabsorbed depreciation and carry forward losses only to the extent that reasonable certainty exists that sufficient future taxable income will be available against which these can be realised. However, if there are unabsorbed depreciation and carry forward of losses and items relating to capital losses, deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that there will be sufficient future taxable income available to realise the assets.

Deferred tax assets and liabilities are offset if such items relate to taxes on income levied by the same governing tax laws and the Bank has a legally enforceable right for such set off. Deferred tax assets are recognised and reviewed at each balance sheet date for their realisability.

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

The Bank has exercised option referred u/s 115BAA with respect to tax rate, accordingly Minimum Alternative Tax ('MAT') provision u/s 115JB are not applicable on Bank.

### **4.17 INPUT CREDIT UNDER GST**

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

### **4.18 SHARE ISSUE EXPENSES**

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

### **4.19 CORPORATE SOCIAL RESPONSIBILITY**

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

### **4.20 EARNINGS PER SHARE**

The Bank reports basic and diluted earnings per share in accordance with Accounting Standard 20 - “Earnings per Share” issued by the ICAI, as notified under Section 133 of the Companies Act, 2013 read together with the Companies (Accounting Standards) Rules, 2021. Basic earnings per share is computed by dividing the net profit after tax attributable to equity shareholders outstanding by the weighted average number of equity shares outstanding for the year.

Diluted earnings per share reflect the potential dilution that could occur if securities or other contracts to issue equity shares were exercised or converted during the year. Diluted earnings per share is computed using the weighted average number of equity shares and dilutive potential equity shares outstanding at the year-end except where the results are anti-dilutive. The weighted average number of equity shares outstanding during the year is adjusted for events of bonus issue, bonus element in a rights issue to existing shareholders, and share split.

### **4.21 PROVISIONS, CONTINGENT LIABILITIES, AND CONTINGENT ASSETS**

In accordance with Accounting Standard - 29 “Provisions, Contingent Liabilities and Contingent Assets” issued by ICAI, as notified under Section 133 of the Companies Act, 2013 read together with the Companies (Accounting Standards) Rules, 2021, a provision is recognised when the Bank has a present obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions (excluding retirement benefits) are not discounted to its present value and are determined based on management best estimate required to settle the obligation at the Balance Sheet date, supplemented by experience of similar transactions. These are reviewed



## **SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES APPENDED TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)**

at each Balance Sheet date and adjusted to reflect the current best estimates. If it is no longer probable that an outflow of resources would be required to settle the obligation, the provision is reversed.

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

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

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

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

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

### **4.22 SEGMENT INFORMATION**

The disclosure relating to segment information is in accordance with Accounting Standard 17 - "Segment Reporting" issued by the ICAI, as notified under Section 133 of the Companies Act, 2013 read together with the Companies (Accounting Standards) Rules, 2021 and as per RBI Master Direction on Financial Statements- Presentation and Disclosures dated August 30, 2021, (as amended from time to time). As per the Master Direction, the reportable segments are identified as 'Treasury', 'Corporate / Wholesale Banking', 'Retail Banking' and 'Other banking operations.

- 'Treasury' includes the entire investment portfolio of the Bank.
- Retail Banking include exposures which fulfill the four criteria of orientation, product, granularity, and low value of individual exposures for retail exposures laid down in Master Directions on Basel III: Capital Regulations. Individual housing loans also form part of Retail Banking segment. Further, 'Digital Banking' has been identified as a sub-segment of the existing 'Retail Banking' segment as per Reserve Bank of India (RBI) guidelines.
- Corporate / Wholesale Banking include all advances to trusts, partnership firms, companies, and statutory bodies, which are not included under 'Retail Banking'.
- Other Banking Business includes all other banking operations not covered under 'Treasury', 'Wholesale Banking' and 'Retail Banking' segments. It also includes all other residual operations such as para banking transactions / activities.

### **4.23 ACCOUNTING FOR DIVIDEND**

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

### **4.24 CASH AND CASH EQUIVALENTS**

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





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

### 1. DISCLOSURE REQUIREMENT AS PER RBI'S MASTER DIRECTION ON FINANCIAL STATEMENTS – PRESENTATION AND DISCLOSURES

Amounts in notes forming part of the financial statements for the year ended March 31, 2023 are denominated in Rupees Crore to conform to extant RBI guidelines except where stated otherwise.

#### 1.1 REGULATORY CAPITAL

##### 1.1. A. Capital To Risk-Weighted Assets Ratio (Capital Adequacy Ratio)

The Bank computes Capital Adequacy Ratio as per Basel III Capital Regulations issued by RBI. Under Basel III Capital Regulations, on an on-going basis, the Bank has to maintain a Minimum Total Capital (MTC) of 11.50% (previous year 11.50%) including Capital Conservation Buffer (CCB) at 2.50% (previous year 2.50%) of the total risk weighted assets (RWA). Out of the MTC, at least 8.00% (previous year 8.00%), shall be from Common Equity Tier 1 (CET1) capital and at least 9.50% (previous Year 9.50%) from Tier 1 capital, including 2.50% (previous year 2.50%) towards CCB.

The Composition of Regulatory Capital of the Bank is set out below:

(Amount in ₹ Crore)

Sr. No.	Particulars	As at March 31, 2023	As at March 31, 2022
i)	Common Equity Tier 1 Capital (CET 1) *	20,431.35	17,638.52
ii)	Additional Tier 1 capital	-	-
iii)	Tier 1 Capital (i + ii)	20,431.35	17,638.52
iv)	Tier 2 Capital	2,813.15	1,637.28
v)	Total Capital (Tier 1+Tier 2)	23,244.50	19,275.80
vi)	Total Risk Weighted Assets (RWAs)	156,915.57	122,199.70
<b>Capital Ratios</b>			
vii)	CET 1 Ratio (CET 1 as a percentage of RWAs)	13.02%	14.43%
viii)	Tier 1 Ratio (Tier 1 capital as a percentage of RWAs)	13.02%	14.43%
ix)	Tier 2 Ratio (Tier 2 capital as a percentage of RWAs)	1.79%	1.34%
x)	Capital to Risk Weighted Assets Ratio (CRAR) (Total Capital as a percentage of RWAs)	14.81%	15.77%
xi)	Leverage Ratio	7.18%	7.15%
xii)	Percentage of the shareholding of the Government of India	NA	NA
xiii)	Amount of Paid Up Equity Capital raised during the year*	2.73	21.28
xiv)	Amount of Non - Equity Tier 1 Capital raised during the year, of which:		
	a) Basel III compliant Perpetual Non- Cumulative Preference Shares (PNCPS)	-	-
	b) Basel III compliant Perpetual Debt Instruments (PDI)	-	-
xv)	Amount of Tier 2 Capital raised during the year, of which:		
	a) Basel III compliant Debt Capital instruments**	995.00	700.00
	b) Basel III compliant Preference Share Capital Instruments: [Perpetual Cumulative Preference Shares (PCPS) / Redeemable Non-Cumulative Preference Shares (RNCPS) / Redeemable Cumulative Preference Shares (RCPS)]	-	-

\*Adjusted for proposed dividend of ₹ 1.00 per share (previous year: ₹ 1.80 per share). (Refer Note 3.2.E)

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

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





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

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

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

The details of the movement in the paid-up equity share capital of the Bank are given below:

Particulars	(Amount in ₹ Crore)	
	March 31, 2023	March 31, 2022
Opening Balance	420.51	399.23
Addition pursuant to employee stock options/Release of rights kept in abeyance/Receipt of calls in arrears	2.73	0.31
Addition pursuant to preferential allotment	-	20.97
Closing Balance	423.24	420.51

\*\*During the year ended March 31, 2023 the Bank had raised ₹ 995.00 Crore (previous year ₹ 700.00 Crore) Tier 2 capital by way of issuance of Unsecured Basel III compliant Tier 2 Bonds the details of which are given below:

Particulars	March 31, 2023	March 31, 2022
Instrument	Subordinated Debt	Subordinated Debt
Capital	Tier 2	Tier 2
Date of Maturity	March 29, 2033	January 20, 2032
Period	10 Years	10 Years
Coupon	8.84%	8.20%
Amount in ₹ Crore	995.00	700.00

During the year ended March 31, 2023 and March 31, 2022 the Bank has not redeemed debt instruments eligible for Tier-1/Tier-2 capital.

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

### 1.1. B. Reserves and Surplus

#### Statutory Reserve

During the year ended March 31, 2023, the Bank had appropriated ₹ 752.65 Crore (previous year: ₹ 472.46 Crore) out of profits for the year ended March 31, 2023 to the Statutory Reserve in terms of sections 17 of the Banking Regulation Act, 1949 and RBI guidelines.

#### Capital Reserve

During the year ended March 31, 2023, the Bank had appropriated ₹ 11.32 Crore (previous year: ₹ 87.40 Crore), being the profit from sale or redemption of investments under HTM category and profit on sale of immovable properties, net of taxes and transfer to statutory reserve, from the Profit and Loss Account to the Capital Reserve.

#### Special Reserve

During the year ended March 31, 2023, the Bank had appropriated ₹ 160.69 Crore (previous year: ₹ 123.34 Crore) out of profits for the year ended March 31, 2023 to the Special Reserve as required under Income Tax Act, 1961.

#### Investment Fluctuation Reserve

During the year ended March 31, 2023, the Bank had appropriated ₹ 0.97 Crore (previous year: Nil) to Investment Fluctuation Reserve in compliance with extant RBI guidelines.

#### Revenue Reserve

During the year ended March 31, 2023, the Bank had appropriated ₹ 426.57 Crore (previous year: ₹ 266.72 Crore) out of profits for the year ended March 31, 2023 to the Revenue Reserve.

#### Draw down from Reserves

The Bank has not drawn down any amount from any reserves during the years ended March 31, 2023 and March 31, 2022.







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

### 1.2 INVESTMENTS

#### 1.2.1. A. Composition of Investment Portfolio

The details of Investments held under the three categories viz., Held for Trading (HFT), Available for Sale (AFS) and Held to Maturity (HTM) as at March 31, 2023 are as under:

(Amount in ₹ Crore)

	Investments in India					Investments outside India				Total Investments		
	Government Securities	Other Approved Securities	Shares	Debentures & Bonds	Subsidiaries and/or Joint Venture	Others	Total Investments In India	Government Securities (Including Local Authorities)	Subsidiaries and/or Joint Venture		Others	Total Investments Outside India
<b>Held to Maturity</b>												
Gross Value	39,225.28	-	-	-	668.80	91.53	39,985.61	-	-	-	-	39,985.61
Less: Provision for Non-Performing Investments	-	-	-	-	-	-	-	-	-	-	-	-
Net Value	39,225.28	-	-	-	668.80	91.53	39,985.61	-	-	-	-	39,985.61
<b>Available for Sale</b>												
Gross Value	3,188.13	-	587.42	2,423.94	-	3,199.42	9,398.91	2.45	-	132.69	135.14	9,534.05
Less: Provision for Non-Performing Investments	-	-	14.63	63.23	-	-	77.86	-	-	-	-	77.86
Less: Provision for Depreciation	17.88	-	20.66	12.90	-	407.23	458.67	-	-	0.17	0.17	458.84
Net Value	3,170.25	-	552.13	2,347.81	-	2,792.19	8,862.38	2.45	-	132.52	134.97	8,997.35
<b>Held for Trading</b>												
Gross Value	-	-	0.40	-	-	-	0.40	-	-	-	-	0.40
Less: Provision for Non-Performing Investments	-	-	-	-	-	-	-	-	-	-	-	-
Less: Provision for Depreciation	-	-	0.01	-	-	-	0.01	-	-	-	-	0.01
Net Value	-	-	0.39	-	-	-	0.39	-	-	-	-	0.39
<b>Total Investments</b>												
Gross Value	42,413.41	-	587.82	2,423.94	668.80	3,290.95	49,384.92	2.45	-	132.69	135.14	49,520.06
Less: Provision for Non-Performing Investments	-	-	14.63	63.23	-	-	77.86	-	-	-	-	77.86
Less: Provision for Depreciation	17.88	-	20.67	12.90	-	407.23	458.68	-	-	0.17	0.17	458.85
Net Value	42,395.53	-	552.52	2,347.81	668.80	2,883.72	48,848.38	2.45	-	132.52	134.97	48,983.35





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

The details of Investments held under the three categories viz., Held for Trading (HFT), Available for Sale (AFS) and Held to Maturity (HTM) as at March 31, 2022 are as under:

	(Amount in ₹ Crore)											
	Investments in India					Investments outside India						
	Government Securities	Other Approved Securities	Shares	Debentures & Bonds	Subsidiaries and/or Joint Venture	Others	Total Investments In India	Government Securities (Including Local Authorities)	Subsidiaries and/or Joint Venture	Others	Total Investments Outside India	Total Investments
<b>Held to Maturity</b>												
Gross Value	30,024.28	-	-	-	668.80	104.20	30,797.28	-	-	-	-	30,797.28
Less: Provision for Non-Performing Investments	-	-	-	-	-	-	-	-	-	-	-	-
Net Value	30,024.28	-	-	-	668.80	104.20	30,797.28	-	-	-	-	30,797.28
<b>Available for Sale</b>												
Gross Value	4,857.27	-	496.75	1,631.87	-	1,830.88	8,816.77	43.93	-	16.11	60.04	8,876.81
Less: Provision for Non-Performing Investments	-	-	43.98	45.02	-	-	89.00	-	-	-	-	89.00
Less: Provision for Depreciation	15.49	-	0.22	5.31	-	386.35	407.37	-	-	-	-	407.37
Net Value	4,841.78	-	452.55	1,581.54	-	1,444.53	8,320.40	43.93	-	16.11	60.04	8,380.44
<b>Held for Trading</b>												
Gross Value	-	-	1.74	-	-	-	1.74	-	-	-	-	1.74
Less: Provision for Non-Performing Investments	-	-	-	-	-	-	-	-	-	-	-	-
Less: Provision for Depreciation	-	-	-	-	-	-	-	-	-	-	-	-
Net Value	-	-	1.74	-	-	-	1.74	-	-	-	-	1.74
<b>Total Investments</b>												
Gross Value	34,881.55	-	498.49	1,631.87	668.80	1,935.08	39,615.79	43.93	-	16.11	60.04	39,675.83
Less: Provision for Non-Performing Investments	-	-	43.98	45.02	-	-	89.00	-	-	-	-	89.00
Less: Provision for Depreciation	15.49	-	0.22	5.31	-	386.35	407.37	-	-	-	-	407.37
Net Value	34,866.06	-	454.29	1,581.54	668.80	1,548.73	39,119.42	43.93	-	16.11	60.04	39,179.46





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

**1.2.1. B. Movement of Provisions for Depreciation and Investment Fluctuation Reserve**

(Amount in ₹ Crore)

Particulars	March 31, 2023	March 31, 2022
(1) Movement of provisions held towards depreciation on Investments		
a) Opening Balance	407.37	333.28
b) Add: Provisions made during the year	97.32	88.88
c) Add: Transfer (to) / from loan loss provision	8.04	-
d) Less: Write off / (Write back) of excess provisions during the year	53.88	14.79
e) Closing Balance	458.85	407.37
(2) Movement of provisions for Non-performing Investments (NPIs)		
a) Opening Balance	89.00	100.09
b) Add: Provisions made during the year	-	17.03
c) Add: Transfer (to) / from loan loss provision	28.14	-
d) Less: Write off / (Write back) of excess provision during the year	39.28	18.69
e) Less: Transfer to / (from) Overdue Investments	-	9.43
f) Closing Balance	77.86	89.00
(3) Movement of Investment Fluctuation Reserve		
a) Opening balance	189.72	189.72
b) Add: Amount Transferred during the year	0.97	-
c) Less: Drawdown	-	-
d) Closing Balance	190.69	189.72
(4) Closing balance in IFR as a percentage of closing balance of Investments* in AFS and HFT/Current category	2.12%	2.26%

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

*\*The carrying value less net depreciation (ignoring net appreciation) i.e, the net amount reflected in Balance Sheet.*

**1.2.1. C. Additional Details on Investments:**

- Investments under SLR HTM as at March 31, 2023 account for 18.82% (previous year 16.78%) of demand and time liabilities, as against permitted ceiling of 23.00% (Previous Year :22.00%) stipulated by RBI.
- In respect of securities held under HTM category premium of ₹ 174.46 Crore (previous year: ₹ 169.22 Crore) has been amortised during the year and debited under interest received on Government securities.
- Profit on sale of securities from HTM category amounting to ₹ 19.90 Crore (previous year: ₹ 150.95 Crore) has been taken to Profit and Loss Account. This includes Profit on sale / redemption on maturity of investments amounting to ₹ 0.20 Lakhs (previous year: ₹ 49 Lakhs). During the year the Bank had appropriated ₹ 11.11 Crore (previous year ₹ 84.26 Crore) [net of taxes and transfer to statutory reserve] to the Capital Reserve being the gain on sale / redemption of HTM Investments in accordance with RBI guidelines. (Also Refer Note 1.2.4)
- As per Master Direction - Classification, Valuation and Operation of Investment Portfolio of Commercial Banks (Directions), 2021, Investment fluctuation reserve (IFR) is to be created with an amount not less than lower of net profit on sale of investments during the year or net profit for the year less mandatory appropriations until the amount of IFR is at least 2 percent of the HFT and AFS portfolio on a continuing basis.

As on March 31, 2023 the Bank is maintaining an IFR of ₹ 190.69 Crore (previous year: ₹ 189.72 Crore) and considered it as part of Tier II capital for capital adequacy purposes.



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

**1.2.2. Repo Transactions**

Details of securities sold/purchased (in face value terms) during the year ended March 31, 2023 under repos/reverse repos:

(Amount in ₹ Crore)

Particulars	Outstanding during the year			Outstanding as on March 31, 2023
	Minimum	Maximum	Daily Average	
<b>A.1 Securities sold under RBI Repo</b>				
a) Government Securities	-	350.00	7.51	-
b) Corporate Debt Securities	-	-	-	-
c) Any other securities	-	-	-	-
<b>A.2 Securities purchased under RBI Reverse Repo</b>				
a) Government Securities	-	7,900.00	2,190.08	1,600.00
b) Corporate Debt Securities	-	-	-	-
c) Any other securities	-	-	-	-
<b>B.1 Securities sold under Market Repo</b>				
a) Government Securities	-	3,842.59	1,307.61	508.06
b) Corporate Debt Securities	-	-	-	-
c) Any other securities	-	-	-	-
<b>B.2 Securities purchased under Reverse Market Repo</b>				
a) Government Securities	-	1,555.80	165.71	-
b) Corporate Debt Securities	-	-	-	-
c) Any other securities	-	-	-	-
<b>C.1 Securities sold under TREPS</b>				
a) Government Securities	-	3,398.14	1,793.49	3,398.11
b) Corporate Debt Securities	-	-	-	-
c) Any other securities	-	-	-	-
<b>C.2 Securities purchased under TREPS</b>				
a) Government Securities	-	1,499.38	68.45	499.26
b) Corporate Debt Securities	-	-	-	-
c) Any other securities	-	-	-	-

Details of securities sold/purchased (in face value terms) during the year ended March 31, 2022 under repos/reverse repos:

(Amount in ₹ Crore)

Particulars	Outstanding during the year			Outstanding as on March 31, 2022
	Minimum	Maximum	Daily Average	
<b>A.1 Securities sold under RBI Repo</b>				
a) Government Securities	-	750.00	6.27	-
b) Corporate Debt Securities	-	-	-	-
c) Any other securities	-	-	-	-





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

(Amount in ₹ Crore)

Particulars	Outstanding during the year			Outstanding as on March 31, 2022
	Minimum	Maximum	Daily Average	
<b>A.2 Securities purchased under RBI Reverse Repo</b>				
a) Government Securities	440.00	12,258.00	5,497.75	6,050.00
b) Corporate Debt Securities	-	-	-	-
c) Any other securities	-	-	-	-
<b>B.1 Securities sold under Market Repo</b>				
a) Government Securities	25.82	3,900.32	1,969.50	3,829.76
b) Corporate Debt Securities	-	-	-	-
c) Any other securities	-	-	-	-
<b>B.2 Securities purchased under Reverse Market Repo</b>				
a) Government Securities	-	809.72	86.45	-
b) Corporate Debt Securities	-	-	-	-
c) Any other securities	-	-	-	-
<b>C.1 Securities sold under TREPS</b>				
a) Government Securities	-	4,005.59	2,579.91	2,582.66
b) Corporate Debt Securities	-	-	-	-
c) Any other securities	-	-	-	-
<b>C.2 Securities purchased under TREPS</b>				
a) Government Securities	-	2,999.65	26.38	-
b) Corporate Debt Securities	-	-	-	-
c) Any other securities	-	-	-	-

**1.2.3. Details of Non-SLR investment portfolio –**

a) Issuer composition as at March 31, 2023 of Non-SLR investments

(Amount in ₹ Crore)

Sl. No	Issuer	Amount	Extent of private placement	Extent of 'below investment grade' securities**	Extent of 'unrated' securities**	Extent of 'unlisted' Securities**
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	Public Sector Undertakings	56.50	56.50	-	-	-
2	Financial Institutions	1,010.47	483.71	-	-	-
3	Banks	695.91	564.23	-	-	-
4	Private Corporates	266.30	252.40	-	-	100.00
5	Subsidiaries / Joint ventures	908.50	908.50	-	-	5.00
6	Others*	4,168.97	1,404.52	-	-	5.00
7	Less: Provision held towards depreciation on investment	440.98				
8	Less: Provision held towards non-performing investments	77.86				
	<b>Total</b>	<b>6,587.81</b>	<b>3,669.86</b>	<b>-</b>	<b>-</b>	<b>110.00</b>



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

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

\* Includes Investments in Non-SLR government securities amounting to ₹ 2.45 Crore.

\*\* Excludes Investments in Equity Shares, Commercial Papers, Certificates of Deposit, Pass through certificates, Security Receipts, Securities acquired by way of conversion of debt and Units issued by Venture Capital in line with extant RBI guidelines.

Issuer composition as at March 31, 2022 of Non-SLR investments

(Amount in ₹ Crore)

Sl. No	Issuer	Amount	Extent of private placement	Extent of 'below investment grade' securities**	Extent of 'unrated' securities**	Extent of 'unlisted' Securities**
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	Public Sector Undertakings	391.50	391.50	-	-	-
2	Financial Institutions	75.91	75.32	-	-	-
3	Banks	963.61	951.61	-	-	-
4	Private Corporates	1,694.61	1,159.49	-	-	100.00
5	Subsidiaries / Joint ventures	908.50	908.50	-	-	5.00
6	Others*	760.15	683.06	-	-	5.00
7	Less: Provision held towards depreciation on investment	391.88				
8	Less: Provision held towards non-performing investments	89.00				
	<b>Total</b>	<b>4,313.40</b>	<b>4,169.48</b>	<b>-</b>	<b>-</b>	<b>110.00</b>

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

\* Includes Investments in Non-SLR government securities amounting to ₹ 43.93 Crore.

\*\* Excludes investments in Equity Shares, Commercial Papers, Certificates of Deposit, Pass through certificates, Security Receipts, Securities acquired by way of conversion of debt and Units issued by Venture Capital in line with extant RBI guidelines.

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

(Amount in ₹ Crore)

Particulars	March 31, 2023	March 31, 2022
Shares	552.52	454.29
Debentures and Bonds	2,347.80	1,581.54
Subsidiaries/Joint Ventures	668.80	668.80
Others *	2,883.72	1,548.73
Investment outside India**	134.97	60.04
<b>Total</b>	<b>6,587.81</b>	<b>4,313.40</b>

\* Includes investment in certificate of deposits, Commercial papers, Mutual Funds, Pass through certificates, Security Receipts and Venture Capital Fund.

\*\* Includes Investments in Non-SLR government securities amounting to ₹ 2.45 Crore (Previous year: ₹ 43.93 Crore).





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

c) Non-performing Non-SLR investments:

(Amount in ₹ Crore)

Particulars	March 31, 2023	March 31, 2022
Opening Balance	100.20	106.62
Additions during the year	-	17.43
Additions due to transfer (to) / from loan loss provision	28.14	-
Reductions during the year	50.09	14.42
Transfer (to) / from Overdue Investments	-	(9.43)
<b>Closing Balance</b>	<b>78.25</b>	<b>100.20</b>
Total Provisions held	77.86	89.00

**1.2.4. Sale and transfers to/ from HTM Category**

During the years ended March 31, 2023 and March 31, 2022, the value of sale/transfer of securities to/from HTM category (excluding one-time transfer of securities and sales to RBI under OMO auctions) was within 5% of the book value of investments held in HTM category at the beginning of the respective years.

**1.3. DERIVATIVES**

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

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

(Amount in ₹ Crore)

Sl. No	Particulars	March 31, 2023	March 31, 2022
(i)	Notional principal amount of exchange traded interest rate derivatives undertaken during the year		
	a) 6.10 G-Sec 2031(NSE)	70.40	240.12
	b) 6.10 G-Sec 2031(BSE)	-	20.00
	c) 5.85 G-Sec 2030 (NSE)	-	0.12
(ii)	Notional principal amount of exchange traded interest rate derivatives outstanding	-	-
(iii)	Notional principal amount of exchange traded interest rate derivatives outstanding and not "highly effective"	-	-
(iv)	Mark-to-market value of exchange traded interest rate derivatives outstanding and not "highly effective"	-	-

**1.3.1. B)** The Bank had dealt in exchange traded currency futures during the financial year ended March 31, 2023 and March 31, 2022. As at March 31, 2023, the notional principal amount outstanding on open contracts is ₹ 3,153.01 Crore (Previous year: Nil).

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

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

(Amount in ₹ Crore)

Particulars	March 31, 2023	March 31, 2022
(i) The notional principal of swap agreements	11,080.00	2,923.00
(ii) Losses which would be incurred if counter parties failed to fulfil their obligations under the agreements	0.17	1.24
(iii) Collateral required by the Bank upon entering into swaps	-	-
(iv) Concentration of credit risk arising from the swaps	109.08	33.43
(v) The fair value of the swap book	4.53	3.30





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

The nature and terms of the IRS as on March 31, 2023 are set out below:

Nature	Nos.	Notional Principal	Benchmark	Terms
Trading	225	₹ 5,475.00 Crore	MIOIS	Fixed payable v/s floating receivable
Trading	229	₹ 5,605.00 Crore	MIOIS	Fixed receivable v/s floating payable
Trading	Nil	Nil	USD LIBOR 3M	Fixed receivable v/s floating payable
Trading	Nil	Nil	USD LIBOR 3M	Fixed receivable v/s floating payable

The nature and terms of the IRS as on March 31, 2022 are set out below:

Nature	Nos.	Notional Principal	Benchmark	Terms
Trading	53	₹ 1,375.00 Crore	MIOIS	Fixed payable v/s floating receivable
Trading	46	₹ 1,200.00 Crore	MIOIS	Fixed receivable v/s floating payable
Trading	1	₹ 174.00 Crore	USD LIBOR 3M	Fixed receivable v/s floating payable
Trading	1	₹ 174.00 Crore	USD LIBOR 3M	Fixed receivable v/s floating payable

**1.3.2. B) Credit default swaps:** The Bank has not undertaken any transactions in Credit Default Swaps (CDS) during the years ended March 31, 2023 and March 31, 2022.

**1.3.3. Disclosure on Risk exposure in Derivatives**

**Qualitative disclosures:**

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

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

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

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

**Interest rate contracts**

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

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





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

**Exchange rate contracts**

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

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

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

**Non-Deliverable Derivative Contracts**

Non Deliverable Forwards are foreign exchange derivative contract involving the Rupee, entered into with a person resident outside India and which is settled without involving delivery of the Rupee.

**(b) Accounting policy for recording hedge and non-hedge transactions, recognition of income, Premiums and discounts, valuation of outstanding contracts and provisioning**

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

**(c) Collateral Security**

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

**(d) Credit Risk Mitigation**

In the Interbank Space, the Bank deals with other major banks and the default risk is perceived as low in this segment. Wherever the CSA (Credit Support Annexure) is signed the collateral is insisted as per the terms of the CSA agreement. This risk is managed under the limit framework laid down by the policy on Sovereign and Counterparty Bank Limits. Exposure against clients is mitigated by collecting proper collateral securities/margin as envisaged by the credit sanctioning team as per the CSA.

**Quantitative Disclosures**

(Amount in ₹ Crore)

Sl. No	Particulars	Currency Derivatives*		Interest rate Derivatives	
		Year ended March 31, 2023	Year ended March 31, 2022	Year ended March 31, 2023	Year ended March 31, 2022
(i)	Derivatives (Notional Principal Amount)				
	a) For hedging	-	-	-	-
	b) For trading	13,113.52	4,565.28	11,080.00	2,923.00



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

(Amount in ₹ Crore)

Sl. No	Particulars	Currency Derivatives*		Interest rate Derivatives	
		Year ended March 31, 2023	Year ended March 31, 2022	Year ended March 31, 2023	Year ended March 31, 2022
(ii)	Marked to Market positions				
	a) Asset (+)	179.39	97.41	79.61	38.68
	b) Liabilities (-)	129.98	81.07	75.08	35.38
(iii)	Credit Exposure	775.78	384.79	109.08	33.43
(iv)	Likely impact of one percentage change in interest rate (100*PV01)				
	a) on hedging derivatives	-	-	-	-
	b) on trading derivatives	-	0.46	5.25	0.80
(v)	Maximum and Minimum of 100*PV01 observed during the year				
	a) on hedging	-	-	-	-
	b) on trading	Max = 0.48 Min = 0.00	Max = 0.48 Min = 0.46	Max = 12.41 Min = 0.01	Max = 5.92 Min = 0.25

\* excludes forward exchange contract.

- The notional principal amount of forward exchange contracts classified as Hedging and Trading outstanding as on March 31, 2023 amounted to ₹ 2,642.54 Crore (previous year ₹ 3,564.10 Crore) and ₹ 17,709.42 Crore (previous year ₹ 5,860.17 Crore) respectively. For the hedging contracts, as at March 31, 2023 the marked to market position was asset of ₹ 19.29 Crore and liability of ₹ 22.85 Crore (previous year asset ₹ 10.64 Crore and liability of ₹ 120.61 Crore). For the trading contract, as at March 31, 2023 the marked to market position was asset of ₹ 447.28 Crore and liability of ₹ 108.06 Crore (previous year asset ₹ 431.75 Crore and liability of ₹ 52.60 Crore). Credit exposure on forward exchange contracts classified as Hedging and Trading as at March 31, 2023 amounted to ₹ 70.49 Crore (previous year ₹ 79.21 Crore) and ₹ 841.83 Crore (previous year ₹ 675.97 Crore) respectively. The notional principal amounts of derivatives reflect the volume of transactions outstanding as at the Balance Sheet date and do not represent the amounts at risk.
- Interest rate derivative represents interest rate swaps.
- The Bank has computed the maximum and minimum of PV01 for the year based on the daily balances for Interest rate Derivatives and Currency Derivatives. During the previous year, maximum and minimum of PV01 was computed based on daily balances for Interest rate Derivatives and month end balances for Currency Derivatives.
- In respect of derivative contracts, the Bank evaluates the credit exposure arising therefrom, in line with RBI guidelines. Credit exposure has been computed using the current exposure method which is the sum of:
  - a) The current replacement cost (Marked to Market value including accruals of the contract) or zero whichever is higher.
  - b) The Potential Future Exposure (PFE) is a product of the notional principal amount of the contract and a factor that is based on the grid of credit conversion factor prescribed in RBI Guidelines, which is applied on the basis of the residual maturity and the type of contract.





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

**1.4. ASSET QUALITY**

**1.4.1. A1. Classification of advances and provisions held as on March 31, 2023**

(Amount in ₹ Crore)

	Standard	Non-Performing			Total Non-Performing Advances	Total
	Total Standard Advances	Sub-standard	Doubtful	Loss		
<b>Gross Standard Advances and NPAs</b>						
Opening Balance	143,502.71	1,148.60	2,500.14	488.00	4,136.74	147,639.45
Add: Additions during the year					1,719.13	
Less: Reductions during the year*					1,672.10	
Closing balance	173,192.76	1,017.07	2,721.41	445.29	4,183.77	177,376.53
*Reductions in Gross NPAs due to:						
(i) Upgradation					423.24	
(ii) Recoveries (excluding recoveries from upgraded accounts)					865.81	
(iii) Technical / Prudential write offs					302.66	
(iv) Write-offs other than those under (iii) above					72.37	
(v) Reduction by Sale of Assets to ARCs					-	
(vi) Reduction by conversion into debt / equity					8.02	
<b>Provisions (excluding Floating Provisions)</b>						
Opening balance of provisions held	1,302.76	368.11	1,785.83	488.00	2,641.94	3,944.70
Add: Fresh provisions made during the year					1,201.36	
Less: Excess provision reversed/ Write-off loans					982.83	
Closing balance of provisions held	1,435.66	303.94	2,111.24	445.29	2,860.47	4,296.13
<b>Net NPAs</b>						
Opening Balance		780.48	612.14	-	1,392.62	
Add: Fresh additions during the year					499.65	
Less: Reductions during the year					687.26	
Closing Balance		713.13	491.88	-	1,205.01	
<b>Floating Provisions</b>						
Opening Balance						81.93
Add: Additional provisions made during the year						-
Less: Amount drawn down during the year						-
Closing balance of floating provisions						81.93
<b>Technical write-offs and the recoveries made thereon</b>						
Opening balance of Technical/ Prudential written-off accounts						3,039.96
Add: Technical/ Prudential write-offs during the year						302.66
Add: Change in balance of existing technically written off account due to exchange rate						14.81



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

(Amount in ₹ Crore)

	Standard	Non-Performing			Total	
	Total Standard Advances	Sub-standard	Doubtful	Loss		Total Non-Performing Advances
Less: Recoveries made from previous technical/ prudential written-off accounts during the year						131.82
Less: Reinstatement of technically written off accounts into advances/ Conversation of debt to investment or other securities						28.47
Less: Sacrifice made from previous technical/prudential written-off accounts during the year						81.93
Less: Reduction due to sale of NPAs to ARCs from previous technical/ prudential written off accounts during the year						-
Closing balance						3,115.21

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

**Classification of advances and provisions held as on March 31, 2022**

(Amount in ₹ Crore)

	Standard	Non-Performing			Total	
	Total Standard Advances	Sub-standard	Doubtful	Loss		Total Non-Performing Advances
<b>Gross Standard Advances and NPAs</b>						
Opening Balance	130,274.32	1,766.30	2,447.41	388.68	4,602.39	134,876.71
Add: Additions during the year					1,880.81	
Less: Reductions during the year*					2,346.46	
Closing balance	143,502.71	1,148.60	2,500.14	488.00	4,136.74	147,639.45
*Reductions in Gross NPAs due to:						
(i) Upgradation					591.34	
(ii) Recoveries (excluding recoveries from upgraded accounts)					665.88	
(iii) Technical / Prudential write offs					789.06	
(iv) Write-offs other than those under (iii) above					22.65	
(v) Reduction by Sale of Assets to ARCs					275.47	
(vi) Reduction by conversion into debt / equity					2.06	
<b>Provisions (excluding Floating Provisions)</b>						
Opening balance of provisions held	723.98	644.15	1,896.10	388.68	2,928.93	3,652.91
Add: Fresh provisions made during the year					1,188.67	
Less: Excess provision reversed/ Write-off loans					1,475.66	
Closing balance of provisions held	1,302.76	368.11	1,785.83	488.00	2,641.94	3,944.70





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

(Amount in ₹ Crore)

	Standard	Non-Performing			Total Non-Performing Advances	Total
	Total Standard Advances	Sub-standard	Doubtful	Loss		
<b>Net NPAs</b>						
Opening Balance		1,122.15	447.13	-	1,569.28	
Add: Fresh additions during the year					689.25	
Less: Reductions during the year					865.91	
Closing Balance		780.48	612.14	-	1,392.62	
<b>Floating Provisions</b>						
Opening Balance						81.93
Add: Additional provisions made during the year						-
Less: Amount drawn down during the year						-
Closing balance of floating provisions						81.93
<b>Technical write-offs and the recoveries made thereon</b>						
Opening balance of Technical/ Prudential written-off accounts						2,419.99
Add: Technical/ Prudential write-offs during the year						789.06
Add: Change in balance of existing technically written off account due to exchange rate						3.62
Less: Recoveries made from previous technical/ prudential written-off accounts during the year						157.74
Less: Reinstatement of technically written off accounts into advances/ Conversion to investment or other securities						8.97
Less: Sacrifice made from previous technical/prudential written-off accounts during the year						0.38
Less: Reduction due to sale of NPAs to ARCs from previous technical/ prudential written off accounts during the year						5.62
Closing balance						3,039.96

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



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

**1.4.1. A2 Details of accounts subjected to restructuring** <sup>1,2</sup>

(Amount in ₹ Crore except number of borrowers)

		Agriculture and allied activities		Corporates (excluding MSME)		Micro, Small and Medium Enterprises (MSME)		Retail (excluding agriculture and MSME)		Total	
		As on March 31, 2023	As on March 31, 2022	As on March 31, 2023	As on March 31, 2022	As on March 31, 2023	As on March 31, 2022	As on March 31, 2023	As on March 31, 2022	As on March 31, 2023	As on March 31, 2022
Standard	Number of borrowers	52	89	4	3	28	43	233	340	317	475
	Gross Amount	4.42	6.39	18.54	18.66	49.57	82.02	15.65	11.73	88.18	118.80
	Provision held	0.20	0.32	0.93	0.95	1.79	3.55	0.76	2.51	3.68	7.33
Sub-standard	Number of borrowers	6	27	-	1	2	6	17	27	25	61
	Gross Amount	0.08	3.56	-	10.15	12.00	19.11	1.78	0.34	13.86	33.16
	Provision held	0.01	3.25	-	10.15	10.03	11.28	0.27	0.06	10.31	24.74
Doubtful	Number of borrowers	61	76	6	9	23	25	180	231	270	341
	Gross Amount	26.90	32.83	29.33	55.33	31.68	23.49	8.52	11.72	96.43	123.37
	Provision held	26.23	32.08	29.26	55.17	27.15	14.69	5.63	7.63	88.27	109.57
Loss	Number of borrowers	24	24	-	-	-	-	66	79	90	103
	Gross Amount	0.12	0.12	-	-	-	-	1.14	1.29	1.26	1.41
	Provision held	0.12	0.12	-	-	-	-	1.14	1.29	1.26	1.41
Total	Number of borrowers	143	216	10	13	53	74	496	677	702	980
	Gross Amount	31.52	42.90	47.87	84.14	93.25	124.62	27.09	25.08	199.73	276.74
	Provision held	26.56	35.77	30.19	66.27	38.97	29.52	7.80	11.49	103.52	143.05

**Note:**

- Accounts where resolution plan is implemented under RBI Resolution Framework for Covid-19 related stress as per RBI circular dated August 06, 2020 (Resolution Framework 1.0) and May 05, 2021 (Resolution Framework 2.0) are excluded.
- Technically written off accounts are excluded.







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

**1.4.1. B. Significant Ratios**

Particulars	(in %)	
	March 31, 2023	March 31, 2022
Gross non-performing assets as a percentage of gross advances	2.36	2.80
Net non-performing assets as a percentage of net advances.	0.69	0.96
Provision Coverage Ratio (Including Technical write-offs)	83.49	80.60
Provision Coverage Ratio (Excluding Technical write-offs)	70.02	65.54

**1.4.2. Sector-wise Advances and Gross NPAs**

Sl. No.	Sector	March 31, 2023			March 31, 2022		
		Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to Total Advances in that sector	Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to Total Advances in that sector
<b>A</b>	<b>Priority Sector</b>						
1.	Agriculture and allied activities	25,993.34	1,132.76	4.36	20,285.82	1,045.42	5.15
2.	Advances to industries sector eligible as priority sector lending	12,934.15	436.31	3.37	11,195.62	386.75	3.45
	Of which:						
	<i>Infrastructure</i>	2,918.54	144.01	4.93	2,712.91	73.58	2.71
	<i>Textiles</i>	2,135.89	53.74	2.52	1,934.42	53.77	2.78
3.	Services	15,043.37	347.36	2.31	10,196.11	205.57	2.02
	Of which:						
	<i>NBFC</i>	1,789.72	-	-	1,121.70	-	-
	<i>Trade</i>	5,226.62	147.10	2.81	3,267.92	105.94	3.24
4.	Personal loans	-	-	-	-	-	-
5.	Others	3,359.28	238.12	7.09	3,752.43	251.58	6.70
	<b>Sub-total (A)</b>	<b>57,330.14</b>	<b>2,154.55</b>	<b>3.76</b>	<b>45,429.98</b>	<b>1,889.32</b>	<b>4.16</b>
<b>B</b>	<b>Non-Priority Sector</b>						
1.	Agriculture and allied activities	-	-	-	-	-	-
2.	Industry	26,118.77	229.27	0.88	20,216.81	396.23	1.96
	Of which:						
	<i>Chemicals and Chemical Products</i>	3,042.42	2.61	0.09	2,195.31	3.15	0.14
	<i>Infrastructure</i>	7,725.29	81.61	1.06	5,737.07	110.17	1.92
	<i>Textiles</i>	2,750.64	18.48	0.67	1,578.80	96.71	6.13
3.	Services	38,841.74	823.41	2.12	34,751.51	783.37	2.25
	Of which:						
	<i>Commercial Real Estate</i>	4,516.47	31.47	0.70	3,712.22	36.85	0.99
	<i>Non-Banking Finance Companies</i>	16,460.09	0.04	-	14,707.06	17.19	0.12
	<i>Trade</i>	5,805.39	388.13	6.69	5,988.56	457.71	7.64



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

(Amount in ₹ Crore)

Sl. No.	Sector	March 31, 2023			March 31, 2022		
		Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to Total Advances in that sector	Outstanding Total Advances	Gross NPAs	Percentage of Gross NPAs to Total Advances in that sector
4.	Personal loans	2,983.77	139.72	4.68	2,264.66	167.44	7.39
5.	Others	52,102.11	836.82	1.61	44,976.49	900.38	2.00
	<b>Sub-total (B)</b>	<b>120,046.39</b>	<b>2,029.22</b>	<b>1.69</b>	<b>102,209.47</b>	<b>2,247.42</b>	<b>2.20</b>
	<b>Total (A+B)</b>	<b>177,376.53</b>	<b>4,183.77</b>	<b>2.36</b>	<b>147,639.45</b>	<b>4,136.74</b>	<b>2.80</b>

Note: Disclosure of sub-sectors is made where the outstanding advances exceeds 10% of the outstanding total advances to that sector.

**1.4.3. Details of Overseas Assets, NPAs and Revenue**

During the year ended March 31, 2016 the Bank had commenced its operation, pursuant to RBI approval, in International Financial Services Centre (IFSC) Banking Unit (IBU) in Gujarat International Finance Tec City (GIFT City) and business transactions from the same are considered as a Foreign branch for most Regulatory purposes as per para 2.2 of Annex I of RBI Circular DBR.IBD.BC 14570/23.13.004/2014-15 dated April 01, 2015. Apart from the said IBU, the Bank did not have any overseas branch as on March 31, 2023 and March 31, 2022. Details of Assets, NPAs and Revenue of IBU are given below:

(Amount in ₹ Crore)

Particulars	March 31, 2023	March 31, 2022
Total Assets	3,098.75	2,001.35
Total NPAs	205.42	189.48
Total Revenue	94.55	32.46

**1.4.4. Divergence in Asset classification and Provisioning for NPAs**

The divergence observed by RBI for the financial years 2021-22 and 2020-21 in respect of the Bank's asset classification and provisioning under the extant prudential norms on income recognition, asset classification and provisioning is below the regulatory requirement for disclosure and hence the disclosure as required under RBI Master Direction on 'Financial Statements-Presentation and Disclosures' on 'Divergence in the asset classification and provisioning', is not required to be made.

**1.4.5. Implementation of Resolution Plans (RPs):**

Cases eligible for RPs during the year ended March 31, 2023		RPs Successfully implemented during the year ended March 31, 2023		RPs under implementation during the year ended March 31, 2023	
Balance Outstanding (Amount in ₹ Crore)	No. of cases	Balance Outstanding (Amount in ₹ Crore)	No. of cases	Balance Outstanding (Amount in ₹ Crore)	No. of cases
209.34	7	157.70	4	51.64	3

Out of the above, 2 cases are technically written off in our books amounting to total of ₹ 41.43 Crore.

Cases eligible for RPs during the year ended March 31, 2022		RPs Successfully implemented during the year ended March 31, 2022		RPs under implementation during the year ended March 31, 2022	
Balance Outstanding (Amount in ₹ Crore)	No. of cases	Balance Outstanding (Amount in ₹ Crore)	No. of cases	Balance Outstanding (Amount in ₹ Crore)	No. of cases
391.02	9	176.88	1	214.14	8

Out of the above, 4 cases are technically written off in our books amounting to total of ₹ 170.19 Crore.





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

**1.4.6 a) Details of resolution plans implemented under the RBI Resolution Framework for COVID-19-related Stress as per RBI circular dated August 06, 2020 (Resolution Framework 1.0) and May 05, 2021 (Resolution Framework 2.0) (including other facilities to the borrowers which have not been restructured) are given below:-**

**As at March 31, 2023**

(Amount in ₹ Crore)

Type of borrower	Exposure to accounts classified as Standard consequent to implementation of resolution plan– Position as at the end of the previous half-year ended September 30, 2022 (A)	Of (A), aggregate debt that slipped into NPA during the half- year	Of (A) amount written off during the half-year	Of (A) amount paid by the borrowers during the half-year *	Exposure to accounts classified as Standard consequent to implementation of resolution plan – Position as at the end of this half-year ended March 31, 2023
Personal Loans	2,169.24	79.38	-	194.68	1,913.88
Corporate persons	318.55	8.24	-	48.13	264.03
Of which MSMEs	-	-	-	-	-
Others	603.30	36.09	-	59.25	508.66
<b>Total</b>	<b>3,091.09</b>	<b>123.71</b>	<b>-</b>	<b>302.06</b>	<b>2,686.57</b>

\*Represents net movement in balance outstanding.

**As at March 31, 2022**

(Amount in ₹ Crore)

Type of borrower	Exposure to accounts classified as Standard consequent to implementation of resolution plan– Position as at the end of the previous half-year ended September 30, 2021 (A) <sup>(1)</sup>	Of (A), aggregate debt that slipped into NPA during the half- year	Of (A) amount written off during the half-year	Of (A) amount paid by the borrowers during the half-year (2)	Exposure to accounts classified as Standard consequent to implementation of resolution plan – Position as at the end of this half-year ended March 31, 2022
Personal Loans	2,211.69	51.63	-	16.85	2,153.25
Corporate persons	343.26	4.84	-	(9.18)	347.60
Of which MSMEs	-	-	-	-	-
Others	1,150.96	46.95	-	89.86	1,022.60
<b>Total</b>	<b>3,705.91</b>	<b>103.42</b>	<b>-</b>	<b>97.53</b>	<b>3,523.45</b>

1. Includes restructuring done in respect of requests received as of September 30, 2021, processed subsequently.

2. Represents net movement in balance outstanding.



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

**1.4.6.b) Details of resolution plans implemented under the RBI Resolution Framework for COVID-19-related Stress as per RBI circular dated August 06, 2020 (Resolution Framework 1.0) and May 05, 2021 (Resolution Framework 2.0) as at March 31, 2023 (excluding other facilities to the borrowers which have not been restructured) are given below:**

**As at March 31, 2023**

(Amount in ₹ Crore)

Type of borrower	Exposure to accounts classified as Standard consequent to implementation of resolution plan– Position as at the end of the previous half-year ended September 30 , 2022 (A) <sup>(1)</sup>	Of (A), aggregate debt that slipped into NPA during the half- year	Of (A) amount written off during the half-year	Of (A) amount paid by the borrowers during the half-year <sup>(2)</sup>	Exposure to accounts classified as Standard consequent to implementation of resolution plan – Position as at the end of this half-year ended March 31 , 2023 <sup>(1)</sup>
Personal Loans	1,910.30	80.32	-	134.81	1,711.25
Corporate persons	234.99	5.29	-	42.72	187.81
Of which MSMEs	-	-	-	-	-
Others	338.29	23.08	-	46.52	268.91
<b>Total</b>	<b>2,483.58</b>	<b>108.69</b>	<b>-</b>	<b>224.05</b>	<b>2,167.97</b>

1. Excludes other facilities to the borrowers which have not been restructured.
2. Represents net movement in balance outstanding.

**As at March 31, 2022**

(Amount in ₹ Crore)

Type of borrower	Exposure to accounts classified as Standard consequent to implementation of resolution plan– Position as at the end of the previous half-year ended September 30 , 2021 (A) <sup>(1,3)</sup>	Of (A), aggregate debt that slipped into NPA during the half- year	Of (A) amount written off during the half-year	Of (A) amount paid by the borrowers during the half-year <sup>(2)</sup>	Exposure to accounts classified as Standard consequent to implementation of resolution plan – Position as at the end of this half-year ended March 31 , 2022 <sup>(3)</sup>
Personal Loans	2,146.99	43.12	-	19.29	2,093.71
Corporate persons	198.41	-	-	0.11	198.30
Of which MSMEs	-	-	-	-	-
Others	569.44	19.09	-	151.15	399.90
<b>Total</b>	<b>2,914.84</b>	<b>62.21</b>	<b>-</b>	<b>170.55</b>	<b>2,691.91</b>

1. Includes restructuring done in respect of requests received as of September 30, 2021 processed subsequently.
2. Represents net movement in balance outstanding
3. Excludes other facilities to the borrowers which have not been restructured.



**SCHEDULE 18: NOTES TO ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)**
**1.4.7. Disclosures as per 'Master Direction – Reserve Bank of India (Transfer of Loan Exposures) Directions, 2021' dated September 24, 2021 for the loans transferred / acquired are given below:**

i) Details of loans not in default acquired through assignment during the year ended March 31, 2023 are given below:

	March 31, 2023	March 31, 2022
Aggregate amount of loans acquired (₹ in Crore)	92.25	108.27
Weighted average residual maturity (in years)	6.50	2.46
Weighted average holding period by originator (in years)	0.50	1.20
Retention of beneficial economic interest by the originator (₹ in Crore)	Nil	12.03
Tangible security coverage	93.56%	-
Rating-wise distribution of rated loans	AA-	Not Rated

ii) Details of non-performing assets (NPAs) (excluding prudentially written off advances) transferred during the year ended March 31, 2023 and March 31, 2022 are given below:

(Amount in ₹ Crore except number of accounts)

Particulars	To ARCs		To permitted transferees		To other transferees	
	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022
Number of accounts	-	44	-	-	-	-
Aggregate principal outstanding of loans transferred	-	275.47	-	-	-	-
Weighted average residual tenor of the loans transferred (in years)	-	7.44	-	-	-	-
Net book value of loans transferred (at the time of transfer)	-	69.95	-	-	-	-
Aggregate consideration	-	158.26	-	-	-	-
Additional consideration realised in respect of accounts transferred in earlier years	-	-	-	-	-	-
Provisions reversed to the profit and loss account on account of sale of stressed loans	-	88.31	-	-	-	-

iii) During the years ended March 31, 2023 and March 31, 2022, the Bank has not acquired any stressed loans and not transferred any loan not in default / Special Mention Accounts (SMA).

iv) During the years ended March 31, 2023 and March 31, 2022, the Bank has not invested in Security Receipts (SR) issued by Asset Reconstruction Companies (ARC) in respect of stressed loans transferred to ARCs.

v) Recovery ratings assigned for Security Receipts are given below:

**As on March 31, 2023**

(Amount in ₹ Crore)

Rating Scale	Rating	Book Value Outstanding	Provision held	Net Book Value
0-25%	RR5	13.45	13.45	-
25%- 50%	RR4	113.61	113.61	-
75% - 100%	RR2	2.28	2.28	-
Rating Withdrawn / Not rated	Not Rated	57.17	57.17	-
	Withdrawn	220.72	220.72	-
<b>Total</b>		<b>407.24</b>	<b>407.24</b>	<b>-</b>



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

As on March 31, 2022

(Amount in ₹ Crore)

Rating Scale	Rating	Book Value Outstanding	Provision held	Net Book Value
0-25%	NR6	205.94	203.88	2.06
	RR5	14.79	13.91	0.88
25% - 50%	R4	85.61	43.48	42.13
50% - 75%	NR4	30.51	9.15	21.36
100% - 150%	R1	0.64	-	0.64
	RR1	2.28	-	2.28
Rating Withdrawn / Not rated	Not Rated	0.06	-	0.06
	Withdrawn	115.93	115.93	-
<b>Total</b>		<b>455.76</b>	<b>386.35</b>	<b>69.41</b>

**1.4.8. Details of MSME accounts restructured as per RBI circular Nos.DBR.No.BP.BC.18/21.04.048/2018-19 dated January 01, 2019, DOR.No.BP.BC.34/21.04.048/2019-20 dated February 11, 2020 and DOR.No.BP.BC/4/21.04.048/2020-21 dated August 06, 2020**

Position as on March 31, 2023

(Amount in ₹ Crore except number of accounts)

Number of accounts restructured	Amount Restructured	Amount outstanding
1,230	1,025.13	755.99

Position as on March 31, 2022

(Amount in ₹ Crore except number of accounts)

Number of accounts restructured	Amount Restructured	Amount outstanding
1,366	1,144.09	921.38

**1.4.9. Fraud accounts and Provisioning**

(Amount in ₹ Crore except number of frauds)

Particulars	March 31, 2023	March 31, 2022
No. of frauds reported during the year	1,298	413
Amount involved in fraud	181.45	347.92
Amount involved in fraud net of recoveries/write offs/unrealised interest as at the end of the year requiring provision	75.63	100.20
Provision made during yesteryears for the above accounts	25.28	64.90
Provision made during the year	50.35	35.30
Provision held as at the end of the year for the above accounts	75.63	100.20
Amount of unamortised provision debited from "other reserves" as at the end of the year.	-	-

**1.4.10. Movement of Provision on Standard Assets**

(Amount in ₹ Crore)

Particulars	March 31, 2023	March 31, 2022
(a) Opening balance	1,315.51	736.73
(b) Additions during the year	132.90	619.00
(c) Deduction during the year	-	40.22
<b>(d) Closing balance *</b>	<b>1,448.41</b>	<b>1,315.51</b>

\* Includes Provision held towards Unhedged Foreign Currency Exposure of Customers amounting to ₹ 73.78 Crore (previous Year: ₹ 18.19 Crore) and floating provision of ₹ 12.75 Crore (previous year ₹ 12.75 Crore).





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

### 1.5. ASSET LIABILITY MANAGEMENT

#### 1.5.1 Maturity pattern of certain items of assets and liabilities

As at March 31, 2023

Maturity Pattern	Deposits	Advances	Investments	Borrowings	Foreign Currency Assets	Foreign Currency Liabilities
Day 1	1,147.67	2,550.19	9,256.56	-	652.86	137.88
2 - 7 days	4,332.91	1,482.89	375.77	3,912.42	3,494.63	30.95
8 - 14 days	1,376.57	1,145.59	493.34	668.23	85.83	33.27
15 - 30 days	3,709.52	2,661.64	1,200.96	872.35	251.64	451.03
31 days and up to 2 months	6,473.61	6,523.82	1,042.71	383.33	838.75	514.36
Over 2 months and up to 3 months	4,191.17	6,042.12	432.62	290.23	409.26	428.27
Over 3 months and up to 6 months	12,886.97	17,519.88	855.63	1,959.53	1,127.71	1,458.61
Over 6 months and up to 1 Year	25,312.57	17,487.08	1,815.25	2,833.39	1,058.14	2,077.58
Over 1 Year and up to 3 Years	103,530.96	80,365.50	7,554.30	5,513.54	544.35	1,538.64
Over 3 Years and up to 5 Years	25,178.42	18,951.05	11,104.35	891.27	1,269.73	933.35
Over 5 Years	25,245.67	19,717.12	14,851.86	1,995.00	385.17	0.17
<b>Total</b>	<b>213,386.04</b>	<b>174,446.88</b>	<b>48,983.35</b>	<b>19,319.29</b>	<b>10,118.07</b>	<b>7,604.11</b>

(Amount in ₹ Crore)

As at March 31, 2022

Maturity Pattern	Deposits	Advances	Investments	Borrowings	Foreign Currency Assets	Foreign Currency Liabilities
Day 1	1,119.30	2,676.62	6,416.05	12.97	1,170.16	237.33
2 - 7 days	2,245.53	2,196.76	408.91	6,426.42	1,699.75	41.67
8 - 14 days	2,495.62	1,143.16	427.72	107.69	786.63	117.00
15 - 30 days	3,880.01	2,546.52	610.53	5.60	506.46	55.50
31 days and up to 2 months	6,278.06	4,261.70	948.35	414.16	753.22	484.70
Over 2 months and up to 3 months	4,951.31	6,150.53	794.31	669.03	740.33	781.64
Over 3 months and up to 6 months	14,881.74	13,608.86	1,973.64	1,684.36	1,002.09	974.18
Over 6 months and up to 1 Year	30,194.33	14,153.00	1,668.14	1,342.43	636.60	1,531.65
Over 1 Year and up to 3 Years	79,073.03	66,024.25	2,633.57	3,143.76	321.53	1,733.21
Over 3 Years and up to 5 Years	3,357.64	15,363.13	7,394.27	586.69	542.49	242.67
Over 5 Years	33,224.02	16,803.79	15,903.97	1,000.01	609.74	0.15
<b>Total</b>	<b>181,700.59</b>	<b>144,928.32</b>	<b>39,179.46</b>	<b>15,393.12</b>	<b>8,769.00</b>	<b>6,199.70</b>

(Amount in ₹ Crore)

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





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

**1.5.2 Liquidity Coverage Ratio (LCR)**

**a) Quantitative Disclosure**

The following table sets forth, the daily average of unweighted and weighted values for all the quarters in the year ended March 31, 2023:

(Amount in ₹ Crore)

Particulars	Quarter ended March 31, 2023		Quarter ended December 31, 2022		Quarter ended September 30, 2022		Quarter ended June 30, 2022	
	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)
High Quality Liquid Assets								
1 Total High Quality Liquid Assets (HQLA)		<b>40,760.71</b>		<b>38,423.55</b>		<b>37,907.06</b>		<b>35,960.21</b>
Cash outflows								
2 Retail deposits and deposits from small business customers, of which:	161,348.61	14,488.64	157,887.26	14,195.24	153,099.54	13,773.80	152,661.14	13,723.73
(i) Stable deposits	32,924.40	1,646.22	31,869.82	1,593.50	30,723.08	1,536.15	30,847.67	1,542.38
(ii) Less stable deposits	128,424.21	12,842.42	126,017.44	12,601.74	122,376.46	12,237.65	121,813.47	12,181.35
3 Unsecured wholesale funding, of which:	24,233.25	18,919.37	19,589.00	14,503.92	18,422.97	13,279.16	18,240.60	13,077.02
(i) Operational deposits (all counterparties)	-	-	-	-	-	-	-	-
(ii) Non-operational deposits (all counterparties)	24,233.25	18,919.37	19,589.00	14,503.92	18,422.97	13,279.16	18,240.60	13,077.02
(iii) Unsecured debt	-	-	-	-	-	-	-	-
4 Secured wholesale funding		-		-		-		-
5 Additional requirements, of which	0.60	0.60	5.62	5.62	2.83	2.83	1.87	1.87
(i) Outflows related to derivative exposures and other collateral requirements	0.60	0.60	5.62	5.62	2.83	2.83	1.87	1.87
(ii) Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
(iii) Credit and liquidity facilities	-	-	-	-	-	-	-	-
6 Other contractual funding obligations	49,008.48	5,526.33	45,553.08	5,128.31	41,645.34	5,007.91	40,776.01	5,015.92
7 Other contingent funding obligations	12,992.22	389.77	11,863.27	355.90	11,302.56	339.08	10,642.73	319.28
<b>8 TOTAL CASH OUTFLOWS</b>		<b>39,324.71</b>		<b>34,188.99</b>		<b>32,402.78</b>		<b>32,137.82</b>





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

(Amount in ₹ Crore)

Particulars	Quarter ended March 31, 2023		Quarter ended December 31, 2022		Quarter ended September 30, 2022		Quarter ended June 30, 2022		
	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	
Cash Inflows									
9 Secured lending (e.g. reverse repos)	319.12	-	182.50	-	1,829.92	-	1,867.20	-	
10 Inflows from fully performing exposures	10,594.44	7,490.10	10,650.36	7,718.39	8,196.41	5,587.90	8,397.33	6,172.09	
11 Other cash inflows	20.51	20.51	7.14	7.14	10.86	10.86	11.21	11.21	
<b>12 TOTAL CASH INFLOWS</b>	<b>10,934.07</b>	<b>7,510.61</b>	<b>10,840.00</b>	<b>7,725.53</b>	<b>10,037.19</b>	<b>5,598.76</b>	<b>10,275.74</b>	<b>6,183.30</b>	
		<b>Total Adjusted Value</b>		<b>Total Adjusted Value</b>		<b>Total Adjusted Value</b>		<b>Total Adjusted Value</b>	
<b>13 TOTAL HQLA</b>		40,760.71		38,423.55		37,907.06		35,960.21	
<b>14 TOTAL NET CASH OUTFLOWS</b>		31,814.10		26,463.46		26,804.02		25,954.52	
<b>15 LIQUIDITY COVERAGE RATIO (%)</b>		<b>128.12%</b>		<b>145.19%</b>		<b>141.42%</b>		<b>138.55%</b>	

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

The following table sets forth, the daily average of unweighted and weighted values for all the quarters in the year ended March 31, 2022:

(Amount in ₹ Crore)

Particulars	Quarter ended March 31, 2022		Quarter ended December 31, 2021		Quarter ended September 30, 2021		Quarter ended June 30, 2021		
	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	
High Quality Liquid Assets									
<b>1 Total High Quality Liquid Assets (HQLA)</b>		<b>35,898.96</b>		<b>36,304.61</b>		<b>37,608.85</b>		<b>35,015.72</b>	
Cash outflows									
2 Retail deposits and deposits from small business customers, of which:	156,122.23	13,353.67	154,690.57	13,105.50	152,194.60	12,870.85	149,338.73	12,617.91	
(i) Stable deposits	45,171.14	2,258.56	47,271.06	2,363.55	46,972.18	2,348.61	46,319.21	2,315.96	
(ii) Less stable deposits	110,951.09	11,095.11	107,419.51	10,741.95	105,222.42	10,522.24	103,019.52	10,301.95	
3 Unsecured wholesale funding, of which:	10,382.00	8,016.94	10,768.00	8,241.88	11,107.21	5,413.52	14,011.42	7,990.42	
(i) Operational deposits (all counterparties)	-	-	-	-	-	-	-	-	
(ii) Non-operational deposits (all counterparties)	10,382.00	8,016.94	10,768.00	8,241.88	11,107.21	5,413.52	14,011.42	7,990.42	
(iii) Unsecured debt	-	-	-	-	-	-	-	-	



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

(Amount in ₹ Crore)

Particulars	Quarter ended March 31, 2022		Quarter ended December 31, 2021		Quarter ended September 30, 2021		Quarter ended June 30, 2021	
	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)
4 Secured wholesale funding		-		-		-		-
5 Additional requirements, of which	0.66	0.66	7.11	7.11	0.76	0.76	1.32	1.32
(i) Outflows related to derivative exposures and other collateral requirements	0.66	0.66	7.11	7.11	0.76	0.76	1.32	1.32
(ii) Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
(iii) Credit and liquidity facilities	-	-	-	-	-	-	-	-
6 Other contractual funding obligations	38,962.47	4,242.74	36,941.24	4,014.74	33,852.61	3,146.26	32,736.06	3,023.64
7 Other contingent funding obligations	9,993.00	299.79	9,244.38	277.33	8,764.83	262.95	8,536.05	256.08
<b>8 TOTAL CASH OUTFLOWS</b>		<b>25,913.80</b>		<b>25,646.56</b>		<b>21,694.34</b>		<b>23,889.37</b>
Cash Inflows								
9 Secured lending (e.g. reverse repos)	5,497.73	-	6,058.63	-	7,231.36	-	3,627.83	-
10 Inflows from fully performing exposures	7,852.26	5,928.02	7,270.90	5,601.39	7,274.42	5,668.49	7,967.70	6,348.55
11 Other cash inflows	10.56	10.56	2.58	2.58	6.75	6.75	23.56	23.56
<b>12 TOTAL CASH INFLOWS</b>	<b>13,360.55</b>	<b>5,938.58</b>	<b>13,332.11</b>	<b>5,603.97</b>	<b>14,512.53</b>	<b>5,675.24</b>	<b>11,619.09</b>	<b>6,372.11</b>
		<b>Total Adjusted Value</b>		<b>Total Adjusted Value</b>		<b>Total Adjusted Value</b>		<b>Total Adjusted Value</b>
<b>13 TOTAL HQLA</b>		35,898.96		36,304.61		37,608.85		35,015.72
<b>14 TOTAL NET CASH OUTFLOWS</b>		19,975.22		20,042.59		16,019.10		17,517.26
<b>15 LIQUIDITY COVERAGE RATIO (%)</b>		<b>179.72%</b>		<b>181.14%</b>		<b>234.78%</b>		<b>199.89%</b>

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

**b) Qualitative Disclosure**

**As at March 31, 2023**

The Bank adheres to RBI guidelines on Liquidity Coverage Ratio, Liquidity Risk Monitoring Tools and the LCR Disclosure Standards pursuant to the Basel III Framework on Liquidity Standards that are applicable to banks in India with effect from January 01, 2015. The regulatory threshold is embedded into the Risk Appetite Statement of the Bank and hence maintenance of LCR is subject to periodic review of Risk Management Committee/Board. The Bank computes the LCR and reports the same to the Asset Liability Management Committee (ALCO) every month for review as well as to the Risk Management Committee of the Board. Liquidity Coverage Ratio (LCR) promotes short-term resilience of banks to potential liquidity disruptions by ensuring that they have sufficient High Quality Liquid Assets (HQLAs) to survive an acute stress scenario lasting for 30 days. LCR is computed daily from January 01, 2017 and in accordance with regulatory prescriptions, the LCR disclosures contain data on simple average of





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

daily observations over a period of 90 days. Bank has not computed LCR separately for any foreign currency since the aggregate liabilities denominated in any foreign currency doesn't amount to 5% or more of the Bank's total liabilities. Bank has consistently maintained LCR above the prescribed regulatory minimum.

On average, 97% of the HQLA maintained by the Bank comprises of Level 1 assets which is the most liquid asset category. Cash in hand, excess CRR and SLR, G-Sec within mandatory SLR requirement permitted by RBI under Marginal Standing Facility (MSF) and Facility to Avail Liquidity for Liquidity Coverage Ratio (FALLCR) as per RBI guidelines from time to time, constitutes Level 1 HQLA. Level 2 assets maintained by the Bank comprises of (a) marketable securities representing claims on or claims guaranteed by sovereigns, Public Sector Entities (PSEs) or multilateral development banks that are assigned a 20% risk weight under the Basel III Standardised Approach for credit risk and that are not issued by a bank/financial institution/NBFC or any of its affiliated entities and (b) Corporate bonds and commercial papers, not issued by a bank/financial institution/NBFC or any of its affiliated entities, which have been rated AA- or above by an Eligible Credit Rating Agency. HQLA is also well diversified across various instruments and liquid asset types and shall provide the Bank with adequate and timely liquidity.

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

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

### **As at March 31, 2022**

The Bank adheres to RBI guidelines on Liquidity Coverage Ratio, Liquidity Risk Monitoring Tools and the LCR Disclosure Standards pursuant to the Basel III Framework on Liquidity Standards that are applicable to banks in India with effect from January 01, 2015. The regulatory threshold is embedded into the Risk Appetite Statement of the Bank and hence maintenance of LCR is subject to periodic review of Risk Management Committee/Board. The Bank computes the LCR and reports the same to the Asset Liability Management Committee (ALCO) every month as well as to the Risk Management Committee of the Board. Liquidity Coverage Ratio (LCR) promotes short-term resilience of banks to potential liquidity disruptions by ensuring that they have sufficient High Quality Liquid Assets (HQLAs) to survive an acute stress scenario lasting for 30 days. LCR is computed on a daily basis from January 01, 2017 and in accordance with regulatory prescriptions. The LCR disclosures contain data on simple average of daily observations for the days in each quarter. Bank computes LCR of the IFSC Banking Unit at GIFT City on a standalone basis as per the extant guidelines. Bank is not computing LCR separately for any foreign currency since the aggregate liabilities denominated in any foreign currency doesn't amount to 5% or more of the Bank's total liabilities. Bank has consistently maintained LCR above the prescribed regulatory minimum of 100% during the fiscal.

On an average, 96% of the HQLA maintained by the Bank comprises of Level 1 assets which is the most liquid asset category. Cash in hand, excess CRR and SLR, G-Sec within mandatory SLR requirement permitted by RBI under Marginal Standing Facility (MSF) and Facility to Avail Liquidity for Liquidity Coverage Ratio (FALLCR) as per RBI guidelines from time to time, constitutes Level 1 HQLA. Level 2 assets maintained by the Bank comprises of (a) marketable securities representing claims on or claims guaranteed by sovereigns, Public Sector Entities (PSEs) or multilateral development banks that are assigned a 20% risk weight under the Basel III Standardised Approach for credit risk and that are not issued by a bank/financial institution/NBFC or any of its affiliated entities and (b) Corporate bonds and commercial papers, not issued by a bank/financial institution/NBFC or any of its affiliated entities, which have been rated AA- or above by an Eligible Credit Rating Agency. HQLA is also well diversified across various instruments and liquid asset types and shall provide the Bank with adequate and timely liquidity.

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

The liquidity risk management in the Bank is guided by the ALM Policy. Asset Liability Management Committee (ALCO) is the executive level committee responsible for ALM process in the Bank. Bank's liquidity management is actively done by the Treasury





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

department as per the directions of ALCO. Integrated Risk Management Department actively monitors the liquidity position of the Bank and appraises ALCO on a continuous basis to initiate appropriate actions to ensure that the liquidity position is well within the Risk Appetite set by the Board of Directors.

### **1.5.3 Net Stable Funding Ratio (NSFR)**

#### **Qualitative Disclosure**

Net Stable Funding Ratio (NSFR) is introduced by Basel Committee on Banking Supervision (BCBS) in order to ensure that banks maintain a stable funding profile in relation to the composition of their assets, liabilities and off-balance sheet activities. NSFR limits overreliance on short-term wholesale funding and promotes funding their activities with longer term stable sources indicating funding stability.

NSFR is defined as the amount of available stable funding relative to the amount of required stable funding. "Available stable funding" is defined as the portion of capital and liabilities expected to be reliable over the time horizon considered by the NSFR, which extends to one year. The amount of stable funding required ("Required stable funding") of the Bank is a function of the liquidity characteristics and residual maturities of the various assets as well as the off-balance sheet (OBS) exposures of the Bank.

As per the RBI Guideline, Bank is required to maintain a minimum NSFR of 100% on an ongoing basis effective from October 01, 2021.

The Available Stable funding primarily consists of Regulatory capital, Deposits from Retail Customers, Small business entities, Non-Financial and financial corporates and Borrowings. Whereas the Required Stable Funding comprises of mainly Advances and Investments.









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

(Amount in ₹ Crore)

Particulars	Net Stable Funding Ratio (NSFR)								
	Quarter ended March 31, 2023				Quarter ended December 31, 2022				
	Unweighted value by residual maturity		Weighted value	Unweighted value by residual maturity		Weighted value	Weighted value		
No maturity	< 6 months	6 months to < 1yr		>= 1yr	No maturity			< 6 months	6 months to < 1yr
25 Physical traded commodities, including gold	-	-	-	-	-	-	-	-	-
26 Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	-	1,037.52	-	-	881.89	1,098.15	-	-	933.43
27 NSFR derivative assets (Net)	-	89.68	-	-	89.68	24.58	-	-	24.58
28 NSFR derivative liabilities before deduction of variation margin posted	-	426.78	-	-	21.34	546.48	-	-	27.32
29 All other assets not included in the above categories	6,994.82	1,079.70	2,746.54	14,994.74	25,815.81	1,366.44	1,998.38	14,707.25	25,151.17
30 Off-balance sheet items	-	48,970.15	2,448.51	-	2,847.77	45,518.70	11,855.51	-	2,631.60
31 Total RSF (14+15+16+24+30)	-	-	-	-	151,083.70	-	-	-	144,649.08
32 <b>Net Stable Funding Ratio (%)</b>	-	-	-	-	<b>137.32%</b>	-	-	-	<b>135.80%</b>









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



(Amount in ₹ Crore)

Particulars	Net Stable Funding Ratio (NSFR)									
	Quarter ended September 30, 2022					Quarter ended June 30, 2022				
	Unweighted value by residual maturity		Weighted value	Unweighted value by residual maturity		Weighted value	Unweighted value by residual maturity		Weighted value	
No maturity	< 6 months	6 months to < 1yr		≥ 1yr	No maturity		< 6 months	6 months to < 1yr		≥ 1yr
17 Performing loans to financial institutions secured by Level 1 HQLA	-	-	-	-	-	-	1,514.30	-	-	151.43
18 Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	-	5,493.21	2,215.69	15,411.03	17,342.86	-	6,630.03	1,270.21	14,292.33	15,921.92
19 Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	10.30	46,036.06	16,168.25	51,163.55	73,118.08	9.62	40,344.98	16,560.08	48,677.99	68,154.19
20 With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	0.12	7,928.51	650.61	7,391.25	9,093.94	0.21	5,827.81	807.89	8,397.24	8,776.16
21 Performing residential mortgages, of which:	-	3.18	11.28	21,672.92	15,076.39	-	3.02	10.78	20,604.50	14,430.23
22 With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	-	2.69	8.41	16,764.09	10,902.21	-	2.51	8.88	15,452.50	10,049.82
23 Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	1,620.78	-	-	-	1,377.66	1,236.30	-	-	-	1,050.86
24 Other assets: (sum of rows 25 to 29)	7,101.26	4,824.67	609.10	14,154.02	25,441.82	6,148.01	4,763.47	877.65	13,701.06	24,542.57



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

(Amount in ₹ Crore)

Particulars	Net Stable Funding Ratio (NSFR)									
	Quarter ended September 30, 2022					Quarter ended June 30, 2022				
	Unweighted value by residual maturity		Weighted value	Unweighted value by residual maturity		Weighted value	Unweighted value by residual maturity		Weighted value	
No maturity	< 6 months	6 months to < 1yr		≥ 1yr	No maturity		< 6 months	6 months to < 1yr		≥ 1yr
25 Physical traded commodities, including gold	-	-	-	-	-	-	-	-	-	-
26 Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	1,101.20	-	936.02	-	1,136.78	-	966.26	-	-	-
27 NSFR derivative assets (Net)	-	-	-	-	-	-	-	-	-	-
28 NSFR derivative liabilities before deduction of variation margin posted	1,139.00	-	56.95	-	818.00	-	40.90	-	-	-
29 All other assets not included in the above categories	7,101.26	2,584.47	24,448.85	14,154.02	6,148.01	2,808.69	23,535.41	13,701.06	877.65	10,924.13
30 Off-balance sheet items	42,169.87	1,081.90	2,440.95	-	40,220.90	10,924.13	2,338.77	-	-	-
31 Total RSF (14+15+16+24+30)			137,340.05				129,218.09			
32 <b>Net Stable Funding Ratio (%)</b>			<b>138.11%</b>				<b>138.92%</b>			





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

(Amount in ₹ Crore)

Particulars	Net Stable Funding Ratio (NSFR)									
	Quarter ended March 31, 2022					Quarter ended December 31, 2021				
	Unweighted value by residual maturity		Weighted value	Unweighted value by residual maturity		Weighted value	Unweighted value by residual maturity		Weighted value	
	No maturity	< 6 months		6 months to < 1yr	≥ 1yr		No maturity	< 6 months		6 months to < 1yr
<b>ASF Item</b>										
1 Capital: (2+3)	17,638.52	-	1,000.00	-	18,638.52	16,072.65	-	-	300.00	16,372.65
2 Regulatory capital	17,638.52	-	-	-	17,638.52	16,072.65	-	-	-	16,072.65
3 Other capital instruments	-	-	1,000.00	-	1,000.00	-	-	-	300.00	300.00
Retail deposits and deposits from small business customers: (5+6)	59,637.36	31,428.73	31,677.74	34,549.10	145,973.13	57,775.05	27,428.82	30,357.92	35,002.69	140,087.05
5 Stable deposits	9,653.36	7,235.99	6,512.69	7,945.01	30,105.33	9,660.03	5,682.63	6,232.40	6,288.69	26,785.00
6 Less stable deposits	49,984.00	24,192.74	25,165.05	26,604.09	115,867.80	48,115.02	21,746.19	24,125.52	28,714.00	113,302.05
7 Wholesale funding: (8+9)	6,067.89	19,273.28	6,639.21	6,820.39	14,058.29	5,258.52	17,079.96	6,858.69	3,520.01	10,317.37
8 Operational deposits	-	-	-	-	-	-	-	-	-	-
9 Other wholesale funding	6,067.89	19,273.28	6,639.21	6,820.39	14,058.29	5,258.52	17,079.96	6,858.69	3,520.01	10,317.37
10 Other liabilities: (11+12)	5,340.14	873.95	-	-	-	6,049.71	3,172.36	-	-	-
11 NSFR derivative liabilities	-	-	-	-	-	-	-	-	-	-
All other liabilities and equity not included in the above categories	5,340.14	873.95	-	-	-	6,049.71	3,172.36	-	-	-
13 Total ASF (1+4+7+10)					178,669.94					166,777.07
<b>RSF Item</b>										
14 Total NSFR high-quality liquid assets (HQLA)					1,882.70					1,852.10
15 Deposits held at other financial institutions for operational purposes	1,287.28	-	-	-	643.64	1,020.48	-	-	-	510.24
16 Performing loans and securities: (17+18+19+21+23)	838.35	52,109.96	79,748.31	17,924.10	95,285.18	623.47	45,342.21	19,052.16	75,988.74	91,444.84





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

(Amount in ₹ Crore)

Particulars	Net Stable Funding Ratio (NSFR)									
	Quarter ended March 31, 2022					Quarter ended December 31, 2021				
	Unweighted value by residual maturity					Unweighted value by residual maturity				
	No maturity	< 6 months	6 months to < 1yr	≥ 1yr	Weighted value	No maturity	< 6 months	6 months to < 1yr	≥ 1yr	Weighted value
17	-	6,200.00	-	-	620.00	-	1,900.00	-	-	190.00
18	-	8,075.75	1,827.55	13,038.94	15,164.08	-	6,723.07	2,711.44	12,557.58	14,921.76
19	12.00	37,830.86	16,085.80	46,776.13	64,745.32	11.83	36,715.15	16,331.64	44,662.85	62,497.64
20	0.03	5,643.61	808.89	9,893.59	9,657.10	0.28	6,493.95	2,147.32	9,975.46	10,804.83
21	-	3.35	10.75	19,933.24	14,053.38	-	3.99	9.08	18,768.31	13,315.55
22	-	2.72	9.41	14,484.57	9,421.03	-	3.17	7.93	13,220.29	8,598.74
23	826.35	-	-	-	702.40	611.64	-	-	-	519.89
24	5,853.54	3,087.81	2,082.54	13,279.27	23,641.99	5,638.78	3,782.43	2,258.27	12,020.92	23,197.61





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



(Amount in ₹ Crore)

Particulars	Net Stable Funding Ratio (NSFR)											
	Quarter ended March 31, 2022			Quarter ended December 31, 2021								
	Unweighted value by residual maturity		Weighted value	Unweighted value by residual maturity		Weighted value	Total					
No maturity	< 6 months	6 months to < 1yr		≥ 1yr	No maturity			< 6 months	6 months to < 1yr	≥ 1yr		
25 Physical traded commodities, including gold	-	-	-	-	-	-	-	-	-	-	-	-
26 Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	-	791.47	-	-	672.75	712.68	-	-	-	605.78	-	-
27 NSFR derivative assets (Net)	-	-	-	-	-	8.96	-	-	-	8.96	-	-
28 NSFR derivative liabilities before deduction of variation margin posted	-	571.00	-	-	28.55	416.73	-	-	-	20.84	-	-
29 All other assets not included in the above categories	5,853.54	1,725.34	2,082.54	13,279.27	22,940.69	5,638.78	2,644.06	2,258.27	12,020.92	22,562.03	-	-
30 Off-balance sheet items	-	38,722.76	10,164.78	-	2,241.08	35,255.86	9,008.63	-	-	2,033.05	-	-
31 Total RSF (14+15+16+24+30)	-	-	-	-	123,694.59	-	-	-	-	119,037.84	-	-
32 <b>Net Stable Funding Ratio (%)</b>	-	-	-	-	<b>144.44%</b>	-	-	-	-	<b>140.10%</b>	-	-

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

**1.6. EXPOSURES**

**1.6.1 Exposure to Real Estate Sector**

(Amount in ₹ Crore)

Category	March 31, 2023	March 31, 2022
<b>A. Direct Exposure:</b>		
i) Residential Mortgages: Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented; Exposure also includes non-fund based (NFB) limits; (of which individual housing loans eligible for inclusion in Priority sector advances).	30,045.06 (3,009.25)	26,145.51 (3,530.37)
ii) Commercial Real Estate: Lending secured by mortgages on commercial real estates (office buildings, retail space, multi-purpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non-fund based (NFB) limits;	8,143.12	6,264.06
(iii) Investments in Mortgage Backed Securities (MBS) and other securitised exposures –		
a) Residential	-	-
b) Commercial Real Estate	-	-
<b>B. Indirect Exposure:</b>		
Fund based and non-fund-based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	7,879.89	8,058.34
<b>Total Exposure to Real Estate sector</b>	<b>46,068.07</b>	<b>40,467.91</b>

**1.6.2 Exposure to Capital Market**

(Amount in ₹ Crore)

Category	March 31, 2023	March 31, 2022
(i) Direct investment in equity shares, convertible bonds, convertible debentures and units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt;	396.55	419.00
(ii) Advances against shares/bonds/debentures or other securities or on clean basis to individuals for investment in shares (including IPOs/ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds;	-	-
(iii) Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security;	25.94	21.90
(iv) Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares/convertible bonds/convertible debentures/units of equity oriented mutual funds does not fully cover the advances;	1,171.89	382.83
(v) Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	1,009.94	554.21





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

(Amount in ₹ Crore)

Category	March 31, 2023	March 31, 2022
(vi) Loans sanctioned to corporates against the security of shares / bonds/debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;	-	-
(vii) Bridge loans to companies against expected equity flows/issues;	-	-
(viii) Underwriting commitments taken up by the banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds;	-	-
(ix) Financing to stockbrokers for margin trading;	-	-
(x) All exposures to Venture Capital Funds (both registered and unregistered)	172.10	163.16
<b>Total Exposure to Capital Market</b>	<b>2,776.42</b>	<b>1,541.10</b>

**1.6.3 Risk Category wise Country Exposure**

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

(Amount in ₹ Crore)

Risk category*	Exposure (net)	Provision held	Exposure (net)	Provision held
	March 31, 2023	March 31, 2023	March 31, 2022	March 31, 2022
Insignificant	1,978.23	-	1,436.27	-
Low	530.51	-	608.59	-
Moderately low	59.95	-	-	-
Moderate	-	-	10.62	-
Moderately high	4.04	-	-	-
High	-	-	-	-
Very High	-	-	-	-
<b>Total</b>	<b>2,572.73</b>	<b>-</b>	<b>2,055.48</b>	<b>-</b>

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

Note: The Bank has compiled the data for the purpose of disclosure in Note No. 1.6.3 from its internal MIS system and has been furnished by the management, which has been relied upon by the auditors.

**1.6.4.** During the years ended March 31, 2023 and March 31, 2022, the Bank's credit exposure to single borrower and group borrowers was within the prudential exposure limits prescribed by RBI.

**1.6.5 Unsecured Advances:** During the years ended March 31, 2023 and March 31, 2022 there are no unsecured advances for which intangible securities such as charge over the rights, licences, authority etc. have been taken as collateral by the Bank.

**1.6.6 Factoring exposure:** The factoring exposure of the Bank as on March 31, 2023 is ₹ 1,020.44 Crore (previous year: ₹ 729.40 Crore)

**1.6.7 Unhedged Foreign Currency Exposure:** The Bank has in place a policy on managing credit risk arising out of unhedged foreign currency exposures of its borrowers. The objective of this policy is to maximise the hedging on foreign currency exposures of borrowers by reviewing their foreign currency exposures and encouraging them to hedge the unhedged portion. The policy framework also articulates the methodologies for ascertaining the amount of unhedged foreign currency exposures, estimating the extent of likely loss, estimating the riskiness of the unhedged position and making appropriate provisions and capital charge as per extant RBI guidelines. In line with the policy, assessment of unhedged foreign currency exposure is a part of credit appraisal while proposing limits or at the review stage. Further, the Bank reviews the unhedged foreign currency exposure across its portfolio on a periodic basis. The Bank maintains incremental provisions and additional capital for the unhedged foreign currency exposures of its borrowers in line with the extant RBI guidelines. The Bank has





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

maintained ₹ 73.78 Crore (previous year ₹ 18.19 Crore) as provision and ₹ 100.89 Crore (previous year ₹ 19.56 Crore) as additional capital for computation of capital adequacy ratio on account of the unhedged foreign currency exposures of borrowers.

**1.6.8 Details of Intra-Group Exposure**

(Amount in ₹ Crore)

Sl. No.	Particulars	March 31, 2023	March 31, 2022
1	Total amount of intra-group exposures*	358.92	620.94
2	Total amount of top-20 intra group exposures*	358.92	620.94
3	Percentage of intra group exposures to total exposure of the Bank to borrowers/ customers *	0.15%	0.32%
4	Details of breach of limits on intra-group exposures and regulatory action thereon if any	-	-

\* Exposure is computed as per the definition of Credit and Investment Exposure in RBI Master Circular on Exposure Norms DBR. No. Dir.BC.12/13.03.00/ 2015-16 dated July 01, 2015.

**1.7. CONCENTRATION OF DEPOSITS, ADVANCES, EXPOSURES AND NPAS**

**1.7.1 Information on Concentration of deposits:**

(Amount in ₹ Crore)

Particulars	March 31, 2023	March 31, 2022
Total deposits of twenty largest depositors	11,082.46	6,078.19
Percentage of deposits of twenty largest depositors to total deposits of the Bank	5.19%	3.35%

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

**1.7.2 Information on Concentration of advances:**

(Amount in ₹ Crore)

Particulars	March 31, 2023	March 31, 2022
Total advances to the twenty largest borrowers	18,271.67	17,660.91
Percentage of advances to the twenty largest borrowers to total advances of the Bank	8.03%	9.26%

Note: As per Master Direction, Advances is computed based on credit exposure i.e. funded and non-funded limits including derivative exposures. The sanctioned limits or outstanding, whichever are higher, is reckoned. However, in the case of fully drawn term loans, where there is no scope for re-drawal of any portion of the sanctioned limit, Bank reckon the outstanding as the credit exposure.

**1.7.3 Information on Concentration of exposures:**

(Amount in ₹ Crore)

Particulars	March 31, 2023	March 31, 2022
Total exposures to the twenty largest borrowers/customers	19,204.04	18,606.95
Percentage of exposures to the twenty largest borrowers/customers to the total exposure of the Bank on borrowers/customers	8.11%	9.44%

Note: Exposure is computed as per the definition of Credit and Investment Exposure in RBI Master Circular on Exposure Norms DBOD. No. Dir.BC.12/13.03.00/ 2015-16 dated July 01, 2015.

The Bank has compiled the data for the purpose of disclosure in Note No. 1.7.1 to 1.7.3 from its internal MIS system and has been furnished by the Management, which has been relied upon by the auditors.





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

**1.7.4 Information on Concentration of NPAs:**

(Amount in ₹ Crore)

Particulars	March 31, 2023	March 31, 2022
Total exposures to the top twenty NPA accounts	610.56	664.52
Percentage of exposures to the twenty largest NPA exposure to total Gross NPAs.	14.59%	16.06%

**1.8. SECURITISATION TRANSACTIONS**

The Bank has not done any securitisation transactions during the year ended March 31, 2023 and March 31, 2022.

**1.9. SPONSORED SPVS**

The Bank has not sponsored any special purpose vehicle which is required to be consolidated in the consolidated financial statements as per accounting norms as at March 31, 2023 and March 31, 2022.

**1.10. TRANSFERS TO DEPOSITOR EDUCATION AND AWARENESS (DEA) FUND**

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

(Amount in ₹ Crore)

Particulars	March 31, 2023	March 31, 2022
Opening balance of amounts transferred to DEA Fund	248.65	212.03
Add: Amounts transferred to DEA Fund during the year	38.88	40.99
Less: Amounts reimbursed by DEA Fund towards claims	7.85	4.37
Closing balance of amounts transferred to DEA Fund	279.68	248.65

**1.11. DISCLOSURE OF COMPLAINTS**

**A. Summary information on complaints received by the Bank from customers and from the Offices of Ombudsman**

Sl. No.	Particulars	Year ended March 31, 2023	Year ended March 31, 2022
<b>Complaints received by the Bank from its customers</b>			
1	Number of complaints pending at 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 during the year	169,804	158,965
3.1	Of which, number of complaints rejected by the Bank	73,002	61,018
4	Number of complaints pending at the end of the year	5,864	5,390
<b>Maintainable complaints received by the Bank from Offices of Ombudsman</b>			
	Number of maintainable complaints received by the Bank from Office of Ombudsman	1,049	569
5.1	Of which, number of complaints resolved in favour of the Bank by Office of Ombudsman	467	245
5.2	Of which, number of complaints resolved through conciliation/mediation/advisories issued by Office of Ombudsman	571	324
5.3	Of which, number of complaints resolved after Passing of Awards by Office of Ombudsman against the Bank	-	-
6	Number of Awards unimplemented within the stipulated time (other than those appealed)	-	-

Note: Maintainable complaints refer to complaints on the grounds specifically mentioned in Integrated Ombudsman Scheme, 2021 (Previously Banking Ombudsman Scheme, 2006) and covered within the ambit of the Scheme.



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

**B) Top Five grounds of complaints received by the Bank from customers.**

Grounds of complaints, (i.e. complaints relating to)	Number of complaints pending at the beginning of the year		Number of complaints received during the year		% increase/ (decrease) in the number of complaints received over the previous year		Number of complaints pending at the end of the year		Of 5, number of complaints pending beyond 30 days	
	2		3		4		5		6	
	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022
ATM/Debit Cards	2,038	2,481	109,776	117,181	(6.32)	(0.62)	2,353	2,038	263	218
Internet/Mobile/ Electronic Banking	3,288	860	50,612	36,367	39.17	86.09	3,086	3,288	81	795
Loans and advances	31	44	2,659	1,799	47.80	36.81	25	31	-	-
Credit Cards	1	-	2,524	955	164.29	*	334	1	64	-
Account opening/ difficulty in operation of accounts	14	37	2,035	1,212	67.90	(52.99)	27	14	-	-
Others	18	76	2,672	3,343	(20.07)	(49.06)	39	18	-	-
<b>Total</b>	<b>5,390</b>	<b>3,498</b>	<b>170,278</b>	<b>160,857</b>	<b>-</b>	<b>-</b>	<b>5,864</b>	<b>5,390</b>	<b>408</b>	<b>1,013</b>

\* The Bank has introduced credit cards during the Financial Year 2021-22 and hence there are no comparable figures to reported for the previous year.

**1.12. DETAILS OF PENALTIES IMPOSED BY THE RESERVE BANK OF INDIA**

(Amount in ₹ Lakh)

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

**1.13. DISCLOSURES ON REMUNERATION**

**i) Qualitative disclosures**

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

The Nomination, Remuneration, Ethics and Compensation Committee of the Board oversees the framing, review and implementation of the compensation policy of the Bank, on behalf of the Board. As per the code of corporate governance and code of conduct for the Board of Directors and management, the Committee shall consist of only Non-Executive Directors and the minimum number of members shall be three. At least half of the members attending the meeting of the Remuneration Committee shall be Independent Directors, of which one shall be a member of the Risk Management Committee of the Board.

As on March 31, 2023, the remuneration committee of the Board comprises of the following Independent Directors:

- Mr. A P Hota (Chairman)
- Mr. C Balagopal
- Mr. Siddhartha Sengupta
- Mr. Manoj Fadnis (wef. February 14, 2023)





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

Out of the above, Mr. Siddhartha Sengupta is also a member of the Risk Management Committee of the Board.

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

- i. To oversee the framing, review and implementation of an effective Compensation Policy, as per RBI Guidelines.
- ii. To review the compensation package for the MD & CEO and Executive Directors and recommend revisions for Board approval.
- iii. To consider and approve issuance and allotment of shares under ESOS to MD & CEO /EDs and employees of the Bank.
- iv. Work in coordination with the Risk Management Committee of the Bank, to achieve effective alignment between risk and remuneration.

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

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

The objectives of the remuneration policy are four-fold:

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

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

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

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



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

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

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

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

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

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

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

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

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

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

### **Hedging**

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

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

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

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





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

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

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

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

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

**Deferral of Variable Pay:** For MD & CEO, Whole Time Directors and Material Risk Takers (MRTs) deferral arrangements would invariably exist for the variable pay, regardless of the quantum of pay. For such executives of the Bank, a minimum of 60% of the total variable pay must invariably be under deferral arrangements. Further, if cash component is part of variable pay, at least 50% of the cash bonus would also be deferred. However, in cases where the cash component of variable pay is under ₹ 0.25 Crore, deferral requirements would not be necessary.

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

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

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

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

Proportion of deferred Variable Pay	Timelines*
50.00%	Year N - Upfront
16.50%	Year N + 1
16.50%	Year N + 2
17.00%	Year N+3

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

**Risk Control and Compliance Staff**

At least 25% of the total compensation would be variable and the total variable pay will be limited to a maximum of 100% of the fixed pay (for the relative performance measurement period). Deferral arrangements would invariably exist for the variable pay, if the Variable Pay exceeds 75% of the fixed pay. In such cases a minimum of 60% of the total variable pay must invariably be under deferral arrangements. Further, if cash component is part of variable pay, at least 50% of the cash bonus would also be deferred. However, in cases where the cash component of variable pay is under ₹ 0.25 Crore, deferral requirements would not be necessary.

**Other categories of Staff**

The variable pay would be in the form of cash, share-linked instruments, or a mix of both cash and share-linked instruments. The total variable pay will be limited to a maximum of 300% of the fixed pay (for the relative performance measurement period). Deferral arrangements would invariably exist for the variable pay, if the Variable Pay exceeds 200% of the fixed pay. In such cases a minimum of 60% of the total variable pay must invariably be under deferral arrangements. Further, if cash component is part of variable pay, at least 50% of the cash bonus would also be deferred. However, in cases where the cash component of variable pay is under ₹ 0.25 Crore, deferral requirements would not be necessary.



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

**Malus / Claw back arrangement**

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

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

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

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

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

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

**ii) Quantitative disclosures**

**The quantitative disclosures include only Whole Time Directors/Chief Executive Officer/Material Risk Takers**

Particulars	March 31, 2023	March 31, 2022
(a) Number of meetings held by the Remuneration Committee during the financial year and remuneration paid to its members.	3 ₹ 0.03 Crore	6 ₹ 0.05 Crore
(i) Number of employees having received a variable remuneration award during the financial year.	8 <sup>#</sup>	8
(b) (ii) Number and total amount of sign-on/joining bonus made during the financial year.	-	-
(iii) Details of severance pay in addition to accrued benefits if any.	-	-
(c) (i) Total amount of outstanding deferred remuneration split into cash, shares and share-linked instruments and other forms	Cash – Nil Shares – Nil Share-linked instruments (Unvested Stock Options granted after April 01, 2021) - 1,206,400 Options having Fair Value of ₹ 3.78 Crore.	Cash – Nil Shares – Nil Share-linked instruments (Unvested Stock Options granted after April 01, 2021) - 619,000 Options having Fair Value of ₹ 1.94 Crore.
(ii) Total amount of deferred remuneration paid out in the financial year.	-	-







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

Particulars	March 31, 2023	March 31, 2022
	Fixed - ₹ 10.10 Crore	Fixed - ₹ 9.02 Crore
	Variable - ₹ 2.87 Crore	Variable - ₹ 2.70 Crore
(d) Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred	Deferred - ₹ 1.84 Crore (Fair Value of 587,400 Options granted during the year)	Deferred - ₹ 1.94 Crore (Fair Value of 619,000 Options granted during the year)
(e) (i) Total amount of outstanding deferred remuneration and retained remuneration exposed to ex-post explicit and / or implicit adjustments.	₹ 3.78 Crore (Fair Value of 1,206,400 Options granted during the year)	₹ 1.94 Crore (Fair Value of 619,000 Options granted during the year)
(e) (ii) Total amount of reductions during the financial year due to ex- post explicit adjustments	-	-
(e) (iii) Total amount of reductions during the financial year due to ex- post implicit adjustments.	-	-
(f) Number of MRTs identified.	9	9
(g) (i) Number of cases where malus has been exercised.	-	-
(g) (ii) Number of cases where clawback has been exercised.	-	-
(g) (iii) Number of cases where both malus and claw back have been exercised.	-	-

Note: Only the stock Options granted after April 01, 2021, i.e. after including Stock Options as a part of Variable Pay as per the revised criteria given by RBI in its guidelines dated November 04, 2019 are included.

\*Variable Pay includes one MRT who had retired from the service on June 30, 2022

**iii) General Quantitative Disclosure**

(Amount in ₹ Crore)

Particulars	March 31, 2023	March 31, 2022
(i) The mean pay for the Bank as a whole (excluding sub-staff) *	0.13	0.13
(ii) The deviation of the pay of each of its WTDs from the mean pay.		
▪ Mr. Shyam Srinivasan, Managing Director & CEO	2.83	2.82
▪ Mr. Ashutosh Khajuria, Executive Director	1.14	1.04
▪ Ms. Shalini Warriar, Executive Director	1.19	0.98

\*Mean pay is computed on annual fixed pay that includes basic salary, other allowances, and performance linked incentive / ex-gratia paid to the employees along with the value of perquisites

**iv)** Remuneration (including sitting fees, profit related commission and honorarium) paid to non-executive directors during the year is ₹ 3.46 Crore (previous year ₹ 2.82 Crore)

**1.14. OTHER DISCLOSURES**

**1.14.1. The Key business ratios and other information:**

Particulars	March 31, 2023	March 31, 2022
(i) Interest Income as a percentage to Working Funds* (%)	7.13	6.77
(ii) Non-interest income as a percentage to Working Funds* (%)	0.99	1.04
(iii) Cost of Deposits (%)	4.58	4.33
(iv) Net Interest Margin (%) **	3.31	3.20
(v) Operating Profit <sup>§</sup> as a percentage to Working Funds* (%)	2.04	1.86





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

Particulars	March 31, 2023	March 31, 2022
(vi) Return on Assets [Based on Average Working Fund] *(%)	1.28	0.94
(vii) Business (Deposits less inter-bank deposits plus advances) per employee (Amount in ₹ Crore) ***	29.36	25.61
(viii) Profit per employee (Amount in ₹ Crore) ***	0.23	0.15

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

\*\* Net Interest Income / Average Earning Assets. (Net Interest Income = Interest Income – Interest Expense).

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

§ Operating profit represents total income as reduced by interest expended and operating expenses.

**1.14.2. Bancassurance Business**

Details of income earned from Bancassurance business:

(Amount in ₹ Crore)

Sl. No.	Nature of Income	March 31, 2023	March 31, 2022
1	For selling life insurance policies	86.47	62.76
2	For selling non-life insurance policies	26.69	22.29
	<b>Total</b>	<b>113.16</b>	<b>85.05</b>

**1.14.3. Marketing and distribution (excluding Bancassurance Business)**

Details of income earned from marketing and distribution business:

(Amount in ₹ Crore)

Sl. No.	Nature of Income	March 31, 2023	March 31, 2022
1	For Wealth Management Services	21.10	12.11
2	Others - Etrade/PIS/SGB/NPS/ASBA	9.28	11.21
	<b>Total</b>	<b>30.38</b>	<b>23.32</b>

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

As per RBI Circular FIDD.CO.Plan.BC.23/04.09.01/2015-16 dated April 07, 2016 the PSLCs purchased and sold is given below:

(Amount in ₹ Crore)

Particulars	March 31, 2023		March 31, 2022	
	Purchased (Face value)	Sold (Face value)	Purchased (Face value)	Sold (Face value)
PSLC – Agriculture	-	2,433.00	200.00	-
PSLC – Micro Enterprises	4,850.00	-	2,250.00	-
PSLC – General	-	-	13,750.00	-

**1.14.5. Provisions and Contingencies recognised in the Profit and Loss Account include:**

(Amount in ₹ Crore)

Provision debited to Profit and Loss Account	Year ended March 31, 2023	Year ended March 31, 2022
i) Provision towards Non-Performing Assets	591.34	611.11
ii) Provision for Non-Performing Investments	(6.68)	(1.56)
iii) Provision for Standard Assets	132.90	578.78





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

(Amount in ₹ Crore)

Provision debited to Profit and Loss Account	Year ended March 31, 2023	Year ended March 31, 2022
iv) Provision for Taxation <sup>@</sup>	1,033.91	646.26
v) Provision towards diminution in fair value of restructured assets, other contingencies, etc.	32.33	33.44
<b>Total</b>	<b>1,783.80</b>	<b>1,868.03</b>

**<sup>@</sup>Amount of Provisions made for income-tax during the year**

(Amount in ₹ Crore)

Particulars	Year ended March 31, 2023	Year ended March 31, 2022
Provision for Income tax		
a) Current tax	1,030.36	797.74
b) Deferred tax	3.55	(151.48)
<b>Total</b>	<b>1,033.91</b>	<b>646.26</b>

**1.14.6. Implementation of IFRS converged Indian Accounting Standards (Ind AS)**

The Ministry of Corporate Affairs (MCA), Government of India notified the Companies (Indian Accounting Standards) Rules, 2015 on February 16, 2015. Further, a press release dated January 18, 2016, was issued by the MCA outlining the roadmap for implementation of IFRS converged Ind AS for banks. This roadmap required banks to prepare Ind AS based standalone & consolidated financial statements for the accounting periods beginning April 01, 2018 onwards, with comparatives for the periods ending March 31, 2018 or thereafter. RBI, through its notification dated February 11, 2016, required all scheduled commercial banks to comply with Ind AS for financial statements from the stated periods and also stated that early adoption of Ind AS is not permitted.

The implementation of Ind AS by banks requires certain legislative amendments to make the format of financial statements, prescribed in the Third Schedule to Banking Regulation Act, 1949, compatible with accounts under Ind AS. Considering the amendments needed to the Banking Regulation Act, 1949, as well as the level of preparedness of several banks, RBI, through its Statement on Developmental and Regulatory Policies dated April 05, 2018, had deferred the implementation of Ind AS by a year.

The legislative amendments recommended by the Reserve Bank are under consideration of the Government of India. Accordingly, RBI through its notification dated March 22, 2019 deferred the implementation of Ind AS till further notice.

Even though RBI has deferred the implementation, the Bank is gearing itself to bring the necessary systems and processes in place to facilitate the Proforma submission to RBI and seamless transition to Ind AS. With respect to the various instructions from the Ministry of Corporate Affairs and Reserve Bank of India (RBI), the actions taken by the Bank are summarised as follows:

- A steering committee was formed by MD & CEO with ED as its Chairman with members from all cross-functional departments. The Committee oversees the progress of Ind AS implementation in the Bank and provides guidance on critical aspects of the implementation such as Ind AS technical requirements, systems and processes, business impact, people and project management.
- The implementation of IT solution procured to automate the computation of Expected Credit Losses (ECL), Effective Interest Rate, Fair valuation and other accounting changes required under Ind AS is completed and Bank is generating extracts from the system on a half yearly basis.
- The Bank is now in the process of implementing the other assessed changes required in existing IT architecture and other processes to enable smooth transition to Ind AS.



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

- The Bank is continuing to submit the quarterly progress report on the status of Ind AS implementation to the Audit Committee of the Board.
- The Bank is submitting half yearly Proforma Ind AS financial statements to the RBI within the stipulated timeline.
- Training to the employees is imparted in a phased manner.

The key impact areas during the implementation of Ind AS for the Bank include effective interest rate accounting, fair valuation inputs, methodologies and assumptions, specific valuation considerations in many instruments, expected credit losses, employee stock options and implementation of technology systems.

**1.14.7. Payment of DICGC Insurance Premium**

(Amount in ₹ Crore)

Sl. No.	Particulars	March 31, 2023	March 31, 2022
i)	Payment of DICGC Insurance Premium	221.27	204.89
ii)	Arrears in payment of DICGC premium	-	-

**1.14.8. Amortisation of expenditure on account of enhancement in family pension of employees of banks**

As part of the 11<sup>th</sup> Bipartite Settlement/ Joint note dated November 11, 2020 between the banks and the workmen, among other aspects, it was agreed that family pension shall be payable at the uniform rate of 30% of the Pay of the deceased employee and that there shall be no ceiling on family pension, subject to the approval of Government of India.

The same was approved by Government of India vide letter dated August 25, 2021 and accordingly, family pension for the employees covered under the 11<sup>th</sup> Bipartite Settlement/ Joint Note dated November 11, 2020 was revised. Based on the request from Indian Banks association, Reserve Bank of India vide letter dated October 04, 2021 had permitted the banks either to fully recognise the liability for enhancement of family pension as per the applicable accounting standards or amortise over a period not exceeding five years beginning with the financial year ending March 31, 2022, subject to a minimum of 1/5<sup>th</sup> of the total amount involved being expensed every year.

The Bank has opted to fully recognise and provide the liability for enhancement of family pension as per the applicable accounting standards. Accordingly, during the financial year ended March 31, 2022, the Bank has recognised and provided the entire estimated additional liability amounting to ₹ 177.32 Crore for enhancement of family pension. There is no unamortised expenditure outstanding as on March 31, 2022 for enhancement of family pension.

**1.14.9. Income and Expenses exceeding one percentage of the Total Income**

Details of items under "Other expenditure" in Schedule 16 – Operating Expenses & "Miscellaneous income" in Schedule 14 – Operating Income exceeding 1% of total income of the Bank are given below:

(Amount in ₹ Crore)

Sl. No.	Nature	Description	March 31, 2023	March 31, 2022
i)	Other Expense	Service Charge payment to various service providers	314.10	249.68
ii)	Other Expense	Channel transaction expense to card networks	339.78	227.76
iii)	Other Income	Recoveries on assets previously written off	140.73*	179.14

\*Not exceeded 1% of Total income of the Bank during the current year.

**1.14.10. Assets and Liabilities exceeding one percentage of the Total Asset**

Details of items under "Others (including provisions)" in Schedule 5 – Other Liabilities and provisions & "Others" in Schedule 11 – Other Assets exceeding 1% of total assets of the Bank are given below:

(Amount in ₹ Crore)

Sl. No.	Nature	Description	March 31, 2023	March 31, 2022
i)	Other Assets	Priority sector shortfall deposits	13,116.79	10,994.14





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

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

**2.1. EMPLOYEE BENEFITS (AS 15)**

**a) Defined Contribution Plan**

**Provident Fund**

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

The Bank recognised ₹ 0.65 Crore (previous Year: ₹ 0.65 Crore) for provident fund contribution in the Profit and Loss Account.

**National Pension System**

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

The Bank recognised ₹ 83.04 Crore (previous year: ₹ 77.82 Crore) for DCPS contribution in the Profit and Loss Account.

**b) Defined Benefit Plan**

**Gratuity**

The Bank provides for Gratuity, a defined benefit retirement plan (the "Gratuity Plan") covering the eligible employees. The Gratuity Plan provides a lump sum payment to vested employees on retirement, death, incapacitation or termination of employment, of an amount based on the respective employees' salary and the tenure of employment. Vesting occurs upon completion of 4 years and 240 days of service as per Payment of Gratuity Act, 1972 and its amendment with effect from March 29, 2018 or as per the provisions of the Federal Bank Employees' Gratuity Trust Fund Rules / Bi-partite Award provisions. Liabilities with regard to the Gratuity Plan are determined by actuarial valuation as on the Balance Sheet date, based upon which, the Bank contributes all the ascertained liabilities to the Federal Bank Employees' Gratuity Trust Fund (the "Trust"). Trustees administer contributions made to the Trust and contributions are invested in specific investments as permitted by law.

**Superannuation / Pension**

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

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



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

**i) Change in benefit obligations:**

(Amount in ₹ Crore)

Particulars	Gratuity Plan		Pension Plan	
	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022
Projected benefit obligation at the beginning of the year	451.29	467.81	1,747.94	1,486.28
Current Service Cost	30.56	29.27	381.76	388.95
Interest cost	31.45	31.79	116.86	70.65
Actuarial (gain)/ loss	(7.48)	(5.84)	(165.37)	295.67
Benefits paid	(65.09)	(71.74)	(379.63)	(493.61)
<b>Projected benefit obligation at the end of the year</b>	<b>440.73</b>	<b>451.29</b>	<b>1,701.56</b>	<b>1,747.94</b>

**ii) Change in plan assets:**

(Amount in ₹ Crore)

Particulars	Gratuity Plan		Pension Plan	
	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022
Plan assets at the beginning of the year at fair value	493.78	469.49	1,803.99	1,494.71
Expected return on plan assets	35.40	37.56	131.15	119.58
Actuarial gain/(loss)	0.01	1.67	0.09	12.35
Employer's Contributions	-	56.79	141.54	670.96
Benefits paid	(65.09)	(71.73)	(379.63)	(493.61)
<b>Plan assets at the end of the year at fair value</b>	<b>464.10</b>	<b>493.78</b>	<b>1,697.14</b>	<b>1,803.99</b>

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

(Amount in ₹ Crore)

Particulars	Gratuity Plan		Pension Plan	
	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022
Fair value of plan assets at the end of the year	464.10	493.78	1,697.14	1,803.99
Present value of the defined benefit obligations at the end of the year	440.73	451.29	1,701.56	1,747.94
<b>Liability/ (Asset) recognised in the Balance Sheet</b>	<b>(23.37)</b>	<b>(42.49)</b>	<b>4.42</b>	<b>(56.05)</b>

**iv) Gratuity/ pension cost**

(Amount in ₹ Crore)

Particulars	Gratuity Plan		Pension Plan	
	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022
Current Service cost	30.56	29.27	381.76	388.95
Interest cost	31.45	31.79	116.86	70.65
Expected return on plan assets	(35.40)	(37.56)	(131.15)	(119.58)
Actuarial (gain)/loss	(7.50)	(7.51)	(165.45)	283.32
Net Cost	19.11	15.99	202.02	623.34
Other direct contributions to the Fund	-	-	(0.51)	(37.52)
Net cost Debit to Profit and Loss account	19.11	15.99	201.51	585.82 <sup>#</sup>
Actual return on plan assets*	35.42	39.23	131.23	131.93

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

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



**SCHEDULE 18: NOTES TO ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)**
**v) Investment details of plan Assets\***

(Amount in ₹ Crore)

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

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

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

**vi) Experience adjustments**
**i) Gratuity Plan**

(Amount in ₹ Crore)

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

**ii) Pension Plan**

(Amount in ₹ Crore)

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

**vii) Assumptions**

Particulars	Gratuity Plan		Pension Plan	
	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022
Discount rate	7.51%	7.36%	7.50%	7.25%
Annuity rate per Rupee (in ₹)	-	-	134.64	146.69
Salary escalation rate	5.00%	5.00%	5.00%	5.00%
Estimated rate of return on plan assets	7.17%	8.00%	7.27%	8.00%
Attrition Rate	2.00%	2.00%	1.00%	1.00%
Mortality Table	IALM 2012-14 Ultimate	IALM 2012-14 Ultimate	IALM 2012-14 Ultimate	IALM 2012-14 Ultimate



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

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

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

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

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

**(c) Leave Encashment/ Sick Leave / Leave Travel Concession / Unavailed Casual Leave**

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

A sum of ₹ 86.76 Crore (previous year ₹ 111.94 Crore) has been provided towards the above liabilities in accordance with AS 15 based on actuarial valuation.

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

Particulars	(Amount in ₹ Crore)	
	March 31, 2023	March 31, 2022
Privilege leave	389.17	313.01
Sick leave	27.60	27.42
Leave travel concession	44.21	33.48
Casual leave	1.92	2.23
<b>Total actuarial liability</b>	<b>462.90</b>	<b>376.14</b>
<b>Assumptions</b>		
Discount rate	7.51%	7.36%
Salary escalation rate	5.00%	5.00%
Attrition rate	2.00%	2.00%

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

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

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

**2.2. SEGMENT REPORTING (AS 17)**

**A. Business Segments**

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

**Treasury**

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





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

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

**Corporate/Wholesale Banking:**

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

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

**Retail banking:**

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

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

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

**Other Banking Operations**

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

**Unallocated**

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

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

**March 31, 2023:**

(Amount in ₹ Crore)

Business Segments	Treasury	Corporate/ Wholesale Banking	Retail Banking*	Other Banking Operations	Total
Revenue	2,539.96	5,240.48	11,204.82	143.50	19,128.76
Result (net of provisions)	505.77	953.99	2,457.89	121.98	4,039.63
Unallocated Income / (expense)					4.87





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

(Amount in ₹ Crore)

Business Segments	Treasury	Corporate/ Wholesale Banking	Retail Banking*	Other Banking Operations	Total
Operating profit (PBT)					4,044.50
Income taxes					(1,033.91)
Extraordinary profit/loss	-	-	-	-	-
Net Profit					3,010.59
<b>OTHER INFORMATION</b>					
Segment Assets	52,306.29	96,996.51	104,414.27	-	253,717.07
Unallocated assets					6,624.76
Total assets					260,341.83
Segment liabilities	29,138.18	24,244.09	182,777.23	-	236,159.50
Unallocated liabilities					2,676.09
Total liabilities					238,835.59

\* Sub segments included in retail banking are as follows:

(Amount in ₹ Crore)

Sub Segment	Revenue	Result (net of provision)	Segment Assets	Segment liabilities
Digital Banking	903.54	113.59	4,165.92	12,037.20
Other Retail Banking	10,301.28	2,344.30	100,248.35	170,740.03

**March 31, 2022:**

(Amount in ₹ Crore)

Business Segments	Treasury	Corporate/ Wholesale Banking	Retail Banking*	Other Banking Operations	Total
Revenue	2,351.30	4,267.34	8,987.00	108.00	15,713.64
Result (net of provisions)	641.35	556.57	1,210.15	91.80	2,499.87
Unallocated Income / (expense)					36.21
Operating profit (PBT)					2,536.08
Income taxes					(646.26)
Extraordinary profit/loss	-	-	-	-	-
Net Profit					1,889.82
<b>OTHER INFORMATION</b>					
Segment Assets	47,684.40	78,588.57	87,986.46	-	214,259.43
Unallocated assets					6,686.88
Total assets					220,946.31
Segment liabilities	18,021.89	18,679.06	162,985.55	-	199,686.50
Unallocated liabilities					2,465.97
Total liabilities					202,152.47

\* Sub segments included in retail banking are as follows:

(Amount in ₹ Crore)

Sub Segment	Revenue	Result (net of provisions)	Segment Assets	Segment liabilities
Digital Banking	567.72	68.80	2,043.46	6,275.64
Other Retail Banking	8,419.28	1,141.35	85,943.00	156,709.91



**SCHEDULE 18: NOTES TO ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2023 (Contd.)**
**B. Geographical Segment Information**

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

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

**2.3. RELATED PARTY DISCLOSURES (AS 18)**
**a) Details of Related Parties:**

Subsidiaries, associates/joint ventures/other related entities

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

**Key Management Personnel**

Name of the Key Management personnel	Relatives of the Key Management Personnel	Description of Relationships
Mr. Shyam Srinivasan, Managing Director & CEO	<ul style="list-style-type: none"> <li>▪ Mr. T S Srinivasan</li> <li>▪ Ms. Kamala Srinivasan</li> <li>▪ Ms. Maya Shyam</li> <li>▪ Ms. Meena Lochani</li> <li>▪ Ms. Rohini</li> </ul>	<ul style="list-style-type: none"> <li>▪ Father</li> <li>▪ Mother</li> <li>▪ Wife</li> <li>▪ Sister</li> <li>▪ Sister</li> </ul>
Mr. Ashutosh Khajuria, Executive Director	<ul style="list-style-type: none"> <li>▪ Ms. Sunita Khajuria</li> <li>▪ Ms. Vasundhara Khajuria</li> <li>▪ Ms. Yashodhara Khajuria</li> </ul>	<ul style="list-style-type: none"> <li>▪ Wife</li> <li>▪ Daughter</li> <li>▪ Daughter</li> </ul>
Ms. Shalini Warriar, Executive Director	<ul style="list-style-type: none"> <li>▪ Ms. Parvathi Warriar</li> <li>▪ Ms. Asha Warriar</li> </ul>	<ul style="list-style-type: none"> <li>▪ Mother</li> <li>▪ Sister</li> </ul>

**b) Transactions with related parties**

For the year ended March 31, 2023:

(Amount in ₹ Crore)

Items/Related Party	Subsidiaries	Associates	Key Management Personnel	Relatives of KMP	Total
Deposits <sup>#</sup>	403.61	71.79	6.58	2.69	484.67
	(403.86)	(76.35)	(6.79)	(2.79)	(489.79)
Advances <sup>#</sup>	333.17	-	0.17	0.07	333.41
	(545.32)	(1.04)	(0.21)	(0.10)	(546.67)
Investments in shares <sup>#</sup>	465.80	232.01	-	-	697.81
	(465.80)	(232.01)	-	-	(697.81)
Other investments (NCD, PTC held through trust, etc)	234.70	-	-	-	234.70
	(234.70)	-	-	-	(234.70)



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

(Amount in ₹ Crore)

Items/Related Party	Subsidiaries	Associates	Key Management Personnel	Relatives of KMP	Total
Interest paid	0.26	*	0.35	0.13	0.74
Interest received	60.01	0.13	0.01	0.01	60.16
Income from services rendered	10.72	86.53	-	-	97.25
Expenses for receiving services	93.64	-	-	-	93.64
Leasing arrangements provided	0.01	-	-	-	0.01
Leasing arrangements availed	0.84	-	-	-	0.84
Receivable#	0.21 (1.36)	13.73 (76.63)	-	-	13.94 (77.99)
Payable#	8.90 (19.72)	-	-	-	8.90 (19.72)
Directors sitting fee received	-	0.31	-	-	0.31
Remuneration paid	-	-	5.56	-	5.56
Dividend received	0.43	7.95	-	-	8.38
Dividend paid	-	-	0.24	-	0.24
Share capital received on exercise of ESOS	-	-	2.31	-	2.31
Number of options granted under ESOS	-	-	157,400	-	157,400
Number of options outstanding under ESOS.	-	-	3,234,080	-	3,234,080

\* Denotes figures less than ₹ 1 Lakh.

# - Represents outstanding as on March 31, 2023

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

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

**For the year ended March 31, 2022:**

(Amount in ₹ Crore)

Items/Related Party	Subsidiaries	Associates	Key Management Personnel	Relatives of KMP	Total
Deposits#	27.97 (71.63)	46.55 (81.55)	4.50 (4.66)	2.08 (2.11)	81.10 (159.95)
Advances#	570.94 (761.72)	-	0.21 (0.24)	0.10 (0.11)	571.25 (762.07)
Investments in shares#	465.80 (465.80)	232.01 (232.01)	-	-	697.81 (697.81)
Other investments (NCD, PTC held through trust, etc)	234.70 (234.70)	-	-	-	234.70 (234.70)
Interest paid	0.77	*	0.20	0.09	1.06





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

(Amount in ₹ Crore)

Items/Related Party	Subsidiaries	Associates	Key Management Personnel	Relatives of KMP	Total
Interest received	76.99	0.11	0.01	*	77.11
Income from services rendered	9.41	62.76	-	-	72.17
Expenses for receiving services	68.71	-	-	-	68.71
Leasing arrangements provided	0.01	-	-	-	0.01
Leasing arrangements availed	0.27	-	-	-	0.27
Receivable#	0.92	10.20	-	-	11.12
	(0.92)	(20.63)	-	-	(21.55)
Payable#	8.35	-	-	-	8.35
	(12.05)	-	-	-	(12.05)
Directors sitting fee received	-	0.14	-	-	0.14
Remuneration paid	-	-	5.92	-	5.92
Dividend received	-	27.67	-	-	27.67
Dividend paid	-	-	0.08	-	0.08
Share capital received on exercise of ESOS	-	-	-	-	-
Number of options granted under ESOS	-	-	226,000	-	226,000
Number of options outstanding under ESOS.	-	-	3,536,680	-	3,536,680

\* Denotes figures less than ₹ 1 Lakh.

# - Represents outstanding as on March 31, 2022

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

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

The significant transactions between the Bank and the related parties during the year ended March 31, 2023 and March 31, 2022 are given below. A specified related party transaction is disclosed as a significant related party transaction wherever it exceeds 10% of the aggregate value of all related party transactions in that category:

(Amount in ₹ Crore)

Nature of Transaction	Name of the Related party	March 31, 2023	March 31, 2022
Deposits	Ageas Federal Life Insurance Company Limited	70.61	46.46
	Fedbank Financial Services Limited	392.39	20.09
Advances	Fedbank Financial Services Limited	333.17	570.94
Investments in shares	Ageas Federal Life Insurance Company Limited	208.00	208.00
	Fedbank Financial Services Limited	455.80	455.80



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

(Amount in ₹ Crore)

Nature of Transaction	Name of the Related party	March 31, 2023	March 31, 2022
Other investments (NCD, PTC held through trust etc)	Fedbank Financial Services Limited	234.70	234.70
Interest paid	Mr. Shyam Srinivasan	0.29	0.15
	Fedbank Financial Services Limited	-@	0.60
	Federal Operations and Services Limited	0.26	0.18
Interest received	Fedbank Financial Services Limited	60.01	76.99
Income from services rendered	Ageas Federal Life Insurance Company Limited	86.53	62.76
	Federal Operations and Services Limited	10.72	8.40
Expenses for receiving services	Fedbank Financial Services Limited	34.07	26.03
	Federal Operations and Services Limited	59.56	42.68
Leasing arrangements availed	Federal Operations and Services Limited	0.84	0.27
Leasing arrangements Provided	Federal Operations and Services Limited	0.01	0.01
	Fedbank Financial Services Limited	-@	*
Receivable	Ageas Federal Life Insurance Company Limited	13.73	10.20
Payable	Fedbank Financial Services Limited	4.21	3.28
	Federal Operations and Services Limited	4.68	5.07
Directors sitting fee received	Ageas Federal Life Insurance Company Limited	0.23	0.14
	Equirus Capital Private Limited	0.08	-#
Remuneration paid	Mr. Shyam Srinivasan	2.96	2.94
	Mr. Ashutosh Khajuria	1.27	1.52
	Ms. Shalini Warriar	1.32	1.46
Dividend received	Ageas Federal Life Insurance Company Limited	7.28	27.04
Dividend paid	Mr. Shyam Srinivasan	0.14	0.05
	Mr. Ashutosh Khajuria	0.09	0.03
Share capital received on exercise of ESOS	Mr. Ashutosh Khajuria	0.76	-#
	Ms. Shalini Warriar	1.55	-#
Number of options granted under ESOS	Mr. Ashutosh Khajuria	91,000	113,000
	Ms. Shalini Warriar	66,400	113,000
Number of options outstanding under ESOS	Mr. Ashutosh Khajuria	851,500	960,500
	Ms. Shalini Warriar	2,061,900	2,255,500

# Not significant related party transaction in FY 2021-22

@ Not significant related party transaction in FY 2022-23

\* Denotes figures less than ₹ 1 Lakh.





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

**2.4. DEFERRED TAX ASSETS / LIABILITY (AS 22)**

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

	(Amount in ₹ Crore)	
Particulars	March 31, 2023	March 31, 2022
<b>Deferred Tax Liability</b>		
Tax effect of items constituting deferred tax liability:		
(i) Interest accrued but not due	198.40	148.15
(ii) Depreciation on Investments	3.37	3.77
(iii) Depreciation on Fixed assets	4.81	-
(iv) Special Reserve under Section 36(1)(viii) of the Income Tax Act, 1961	239.43	199.16
(v) Others	3.41	9.16
<b>Total - (A)</b>	<b>449.42</b>	<b>360.24</b>
<b>Deferred Tax Asset</b>		
Tax effect of items constituting deferred tax assets:		
(i) Interest/premium paid on purchase of securities	0.36	0.38
(ii) Provision for Standard Assets	364.54	331.09
(iii) Depreciation on Fixed assets	-	2.65
(iv) Others	166.26	152.06
<b>Total - (B)</b>	<b>531.16</b>	<b>486.18</b>
<b>Net Deferred tax liability/ (Asset) (A-B)</b>	<b>(81.74)</b>	<b>(125.94)</b>

**3. OTHER DISCLOSURES**

**3.1. EARNINGS PER SHARE (AS 20)**

Basic and diluted earnings per equity share of the Bank have been computed in accordance with AS 20 – Earnings Per Share. Basic earnings per equity share has been computed by dividing net profit for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. Diluted earnings per equity share has been computed by dividing the net profit for the period attributable to equity shareholders by the weighted average number of shares outstanding during the period adjusted for the effect of all dilutive potential equity shares outstanding during the period. The dilutive impact is on account of stock options granted to employees by the Bank.

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

Particulars	March 31, 2023	March 31, 2022
Earnings used in the computation of basic and diluted earnings per share (Net profit after tax) (₹ in Crore)	3,010.59	1,889.82
Basic earnings per share (in ₹)	14.27	9.13
Effect of potential equity shares (in ₹)	(0.14)	(0.07)
Diluted earnings per share (in ₹)	14.13	9.06
Nominal value per share (in ₹)	2.00	2.00
<b>Reconciliation between weighted average number of equity shares used in computation of basic and diluted earnings per share</b>		
Basic weighted average number of equity shares outstanding (in Crore)	210.91	206.92
Add: Effect of potential number of equity shares for stock options outstanding (in Crore)	2.22	1.64
Diluted weighted average number of equity shares outstanding (in Crore)	213.13	208.56



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

### 3.2. SHARE CAPITAL

#### A. Equity Issue

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

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

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

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

#### B. Subscribed and paid up capital includes:

- (i) 16,590 equity shares of ₹ 2/- each (previous year 16,590 equity shares of ₹ 2/- each) issued for consideration other than cash.
- (ii) 25,361,023 underlying equity shares of ₹ 2/- each (previous year 28,361,023 equity shares of ₹ 2/- each) held by custodian on behalf of holders of Global Depository Receipts (GDRs).

#### C. The following allotments are kept pending following Orders from various Courts:

- (i) Allotment of 6,530 equity shares of ₹ 2/- each (previous year 6,530 equity shares of ₹ 2/- each) pertaining to the Rights issue of 1993 issued at a premium of ₹ 5/- per share.
- (ii) 262,100 equity shares of ₹ 2/- each (previous year 262,100 equity shares of ₹ 2/- each) pertaining to the Rights issue of 1996 issued at a premium of ₹ 28/- per share.
- (iii) 1,056,665 equity shares of ₹ 2/- each (previous year 1,074,165 equity shares of ₹ 2/- each) at a premium of ₹ 48/- per share pertaining to Rights issue of 2007.

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

- (i) 396,670 equity shares of ₹ 2/- each (previous year 406,670 equity shares of ₹ 2/- each) out of the Bonus issue of 2004 and
- (ii) 597,005 equity shares of ₹ 2/- each (previous year 612,005 equity shares of ₹ 2/- each) out of the Bonus issue of 2015.

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

#### D. Employee Stock Option Scheme (ESOS)

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

Shareholders of the Bank had approved Employee Stock Option Scheme 2010 (ESOS 2010) through postal ballot, the result of which was announced on December 24, 2010, enabling the Board and/or the "Compensation Committee" to grant such number of equity shares, including options, of the Bank not exceeding 5% of the aggregate number of paid up equity shares of the Bank, in line with the guidelines of SEBI. The options granted will vest based on the status of the employee on the date of vesting, subject to the fulfilment of the performance criteria for the vesting. The exercise



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

period would commence from the date of vesting and will expire on the completion of five years from the date of vesting of options.

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

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

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

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

As per SEBI guidelines and the Guidance Note on "Accounting for Share-based Payments" issued by the ICAI, the accounting for ESOS can be done either under the "Intrinsic value method" or "Fair value method". The Compensation Committee in their meeting dated May 10, 2012 decided to adopt "Intrinsic value method" for accounting of ESOS, in terms of the power vested on them as per the resolution of EGM dated December 24, 2010. No cost has been incurred by the Bank on ESOS issued to the employees of the Bank under the intrinsic value method during the year ended March 31, 2023(previous year Nil).

**ii) Employee Stock Option Scheme 2017 (ESOS 2017)**

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

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

Particulars	No. of Options	Range of exercise prices (₹)	Weighted average exercise price (₹)	Weighted average remaining contractual life (Years)
Outstanding at the beginning of the year	77,129,660	38.30 - 116.85	81.24	4.49
Granted during the year*	4,503,375	87.30-135.65	89.07	7.49





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

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

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

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

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

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

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

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

As per SEBI guidelines and the Guidance Note on "Accounting for Share based payments" issued by the ICAI, the accounting for ESOS can be done either under the "Intrinsic value method" or "Fair value method". The Compensation Committee in their meeting dated May 10, 2012 decided to adopt "Intrinsic value method" for accounting of ESOS, in terms of the power vested on them as per the resolution of EGM dated December 24, 2010. Accordingly options under the scheme are accounted using the intrinsic value method except as stated otherwise. No cost has been incurred by the Bank on ESOS issued to the employees of the Bank under the intrinsic value method during the year ended March 31, 2023 (previous year Nil).

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





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

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

**iii) Effect of Fair value method of accounting ESOS**

If "Fair Value Method" had been adopted based on "Black-Scholes pricing model" for pricing and accounting of options which are presently accounted using "Intrinsic Value Method", net profit after tax would be lower by ₹ 15.17 Crore (previous year ₹ 21.10 Crore). The modified basic and diluted earnings per share for the year had the Bank followed Fair Value Method for accounting of options which are presently accounted using intrinsic value method would be ₹ 14.20 and ₹ 14.07 (previous year ₹ 9.03 and 8.97) respectively.

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

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

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

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

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

**E. Dividend**

The Board of Directors have recommended a dividend of 50% i.e. ₹ 1.00/- per Equity Share on face value of ₹ 2.00/- each for the year 2022-23 (Previous Year ₹ 1.80/- per Equity Share) subject to the approval of the members at the ensuing Annual General Meeting.

In terms of Accounting Standard (AS) 4 "Contingencies and Events occurring after the Balance sheet date" the Bank has not appropriated proposed dividend aggregating to ₹ 211.62 Crore from the Profit and loss account for the year ended March 31, 2023. However, the effect of the proposed dividend has been reckoned in determining capital funds in the computation of Capital adequacy ratio.



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

**3.3. FIXED ASSETS**

- a) **Fixed Assets as per Schedule 10 include Intangible Assets relating to Software and System Development Expenditure. Details regarding the same are tabulated below:**

(Amount in ₹ Crore)

Particulars	March 31, 2023	March 31, 2022
<b>Gross Block</b>		
At the beginning of the year	370.81	305.14
Additions during the year	133.15	65.67
Deductions / Adjustments during the year	-	-
At the end of the year	503.96	370.81
<b>Depreciation / Amortisation</b>		
At the beginning of the year	261.07	227.18
Charge for the year	53.15	33.89
Deductions / Adjustments during the year	-	-
Depreciation to date	<b>314.22</b>	<b>261.07</b>
<b>Net Block</b>	<b>189.74</b>	<b>109.74</b>

- b) **Revaluation of Fixed Assets**

During the year 1995-96, the appreciation of ₹ 9.65 Crore in the value of land and buildings consequent upon revaluation by approved valuer was credited to Revaluation Reserve. There has been no revaluation of assets during the years ended March 31, 2023 and March 31, 2022.

**3.4. LEASES (AS 19)**

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

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

There are no provisions relating to contingent rent.

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

**3.5. PROVISIONS AND CONTINGENCIES**

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

(Amount in ₹ Crore)

Particulars	March 31, 2023	March 31, 2022
Opening balance	6.67	5.54
Additions during the year	23.16	1.13
Reductions during the year	0.10	-
<b>Closing balance</b>	<b>29.73</b>	<b>6.67</b>

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

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

(Amount in ₹ Crore)

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

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





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

**c) Movement in provision for other contingencies**

(Amount in ₹ Crore)

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

**d) Movement in floating provision**

(Amount in ₹ Crore)

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

**3.6. DESCRIPTION OF CONTINGENT LIABILITIES:**

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

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

**b) Liability on account of forward exchange and derivative contracts**

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

**c) Guarantees given on behalf of constituents**

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

**d) Acceptances, endorsements and other obligations**

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

**e) Other items for which the Bank is contingently liable**

Includes Capital commitments and amount transferred to RBI under the Depositor Education and Awareness (DEA) Fund, (Refer schedule 12 for amounts relating to Contingent Liabilities).



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

**3.7. INTER-BANK PARTICIPATION WITH RISK SHARING**

The aggregate amount of participation purchased by the Bank, shown as advances as per regulatory guidelines, outstanding as of March 31, 2023 was ₹ 4,813.29 Crore (previous year: ₹ 3,275.14 Crore).

The aggregate amount of the participation issued by the Bank, reduced from advances as per regulatory guidelines, outstanding as of March 31, 2023 was ₹ 1,120.00 Crore (previous year: ₹ 1,300.00 Crore).

**3.8. PROVISION FOR LONG TERM CONTRACTS**

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

**3.9. CORPORATE SOCIAL RESPONSIBILITY (CSR)**

- a) The gross amount required to be spent by the Bank on Corporate Social Responsibility (CSR) related activities during the year ended March 31, 2023, was ₹ 43.88 Crore (previous year ₹ 39.89 Crore).
- b) The amount approved by the Board of the Bank to be spent during the year was ₹ 43.88 Crore (previous year ₹ 40.06 Crore).
- c) Amount spent/transferred to separate CSR unspent account during the year is given below:

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

(Amount in ₹ Crore)

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

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

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

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

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

(Amount in ₹ Crore)

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

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





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

**3.10. INVESTOR EDUCATION AND PROTECTION FUND**

There has been no delay in transferring amounts, required to be transferred to the Investor Education and Protection Fund by the Bank during the years ended March 31, 2023 and March 31, 2022.

**3.11. SMALL AND MICRO INDUSTRIES**

Under the Micro, Small and Medium Enterprises Development Act, 2006 which came into force from October 02, 2006, certain disclosures are required to be made relating to Micro, Small and Medium enterprises. There have been no reported cases of delays in payments to micro and small enterprises or of interest payments due to delays in such payments during the years ended March 31, 2023 and March 31, 2022. The above is based on the information available with the Bank which has been relied upon by the auditors.

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

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

**3.13. LETTER OF COMFORT**

The Bank has not issued any letters of comfort (LoC) on behalf of its subsidiaries during the years ended March 31, 2023 and March 31, 2022.

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

		<b>For and on behalf of the Board of Directors</b>	
<b>Manikandan Muthiah</b> Head - Financial Reporting	<b>Samir P Rajdev</b> Company Secretary	<b>Shalini Warriar</b> Executive Director (DIN: 08257526)	<b>C Balagopal</b> Chairman (DIN: 00430938)
<b>Venkatraman Venkateswaran</b> Chief Financial Officer		<b>Shyam Srinivasan</b> Managing Director & CEO (DIN: 02274773)	
<b>As per our report of even date</b>		<b>Directors:</b>	
For <b>Varma &amp; Varma</b> Chartered Accountants Firm's Registration No: 0045325	For <b>Borkar &amp; Muzumdar</b> Chartered Accountants Firm's Registration No: 101569W	<b>A P Hota</b> (DIN: 02593219)	<b>Siddhartha Sengupta</b> (DIN: 08467648)
<b>Vijay Narayan Govind</b> Partner Membership No: 203094	<b>Kaushal Muzumdar</b> Partner Membership No: 100938	<b>Manoj Fadnis</b> (DIN: 01087055)	<b>Sudarshan Sen</b> (DIN: 03570051)
		<b>Varsha Vasant Purandare</b> (DIN: 05288076)	<b>Sankarshan Basu</b> (DIN: 06466594)
		<b>Ramanand Mundkur</b> (DIN: 03498212)	

Place: Kochi  
Date : May 05, 2023

