Placement Document
Not for Circulation and Strictly Confidential
Serial Number: ________

THE FEDERAL BANK LIMITED

Registered and Corporate Office: Federal Towers, P B No. 103, Aluva, Ernakulam 683 101, Kerala, India
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E-mail: secretarial@federalbank.co.in | **Website**: www.federalbank.co.in | CIN: L65191KL1931PLC000368

Our Bank was incorporated as The Travancore Federal Bank Limited Nedumpram on April 23, 1931 under the Travancore Companies Regulation, 1916. Our Bank's name was changed to "The Federal Bank Limited" on December 2, 1949. Subsequently, our Bank was registered under the Companies Act, 1956 on April 1, 1956. Our Bank was licensed under the Banking Regulation Act, 1949, on July 11, 1959 and is a scheduled commercial bank under the Second Schedule of Reserve Bank of India Act, 1934.

The Federal Bank Limited (our "**Bank**" or the "**Issuer**") is issuing up to 215,517,241 equity shares of a face value of ₹2 each (the "**Equity Shares**") at a price of ₹116.00 per Equity Share (the "**Issue Price**"), including a premium of ₹114.00 per Equity Share, aggregating up to ₹25,000 million (the "**Issue**"). For further details, please see the section entitled "*Summary of the Issue*" on page 33.

ISSUE IN ACCORDANCE WITH CHAPTER VIII OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, AS AMENDED (THE "SEBI ICDR REGULATIONS") AND SECTIONS 42 AND 62 OF THE COMPANIES ACT, 2013, AS AMENDED, AND THE RULES MADE THEREUNDER ("COMPANIES ACT, 2013")

THE ISSUE, AND THE DISTRIBUTION OF THIS PLACEMENT DOCUMENT IS BEING MADE TO QUALIFIED INSTITUTIONAL BUYERS AS DEFINED UNDER THE SEBI ICDR REGULATIONS ("QIBs") IN RELIANCE UPON CHAPTER VIII OF THE SEBI ICDR REGULATIONS AND SECTIONS 42 AND 62 OF THE COMPANIES ACT. THIS PLACEMENT DOCUMENT IS PERSONAL TO EACH BIDDER AND DOES NOT CONSTITUTE AN OFFER OR INVITATION TO OFFER OR SOLICITATION OF AN OFFER TO THE PUBLIC OR TO ANY OTHER PERSON OR CLASS OF INVESTORS WITHIN OR OUTSIDE INDIA OTHER THAN TO QIBs.

YOU ARE NOT AUTHORISED TO, AND MAY NOT, (1) DELIVER THIS PLACEMENT DOCUMENT TO ANY OTHER PERSON; OR (2) REPRODUCE THIS PLACEMENT DOCUMENT IN ANY MANNER WHATSOEVER. ANY DISTRIBUTION, OR REPRODUCTION OF, THIS PLACEMENT DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS INSTRUCTION MAY RESULT IN A VIOLATION OF THE SEBI ICDR REGULATIONS OR OTHER APPLICABLE LAWS OF INDIA AND OTHER JURISDICTIONS.

INVESTMENTS IN EQUITY SHARES INVOLVE A DEGREE OF RISK AND BIDDERS SHOULD NOT INVEST IN THIS ISSUE UNLESS THEY ARE PREPARED TO TAKE THE RISK OF LOSING ALL, OR PART, OF THEIR INVESTMENT. BIDDERS ARE ADVISED TO CAREFULLY READ "RISK FACTORS" ON PAGE 41 BEFORE MAKING AN INVESTMENT DECISION RELATING TO THIS ISSUE. EACH BIDDER IS ADVISED TO CONSULT ITS OWN ADVISORS ABOUT THE PARTICULAR CONSEQUENCES OF AN INVESTMENT IN THE EQUITY SHARES BEING ISSUED PURSUANT TO THIS ISSUE. BIDDERS OF THE EQUITY SHARES OFFERED SHOULD CONDUCT THEIR OWN DUE DILIGENCE ON THE EQUITY SHARES. IF YOU DO NOT UNDERSTAND THE CONTENTS OF THIS PLACEMENT DOCUMENT, YOU SHOULD CONSULT AN AUTHORISED FINANCIAL ADVISER.

The Equity Shares are listed on the National Stock Exchange of India Limited ("**NSE**") and the BSE Limited ("**BSE**", together with NSE, the "**Stock Exchanges**"). The closing price of the outstanding Equity Shares on BSE and NSE on June 20, 2017 was ₹119.00 and ₹118.80 per Equity Share, respectively. In-principle approvals under Regulation 28(1) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended (the "**SEBI Listing Regulations**") for listing of the Equity Shares have been received from each of BSE and NSE on June 21, 2017. Applications shall be made for obtaining the final listing and trading approvals for Equity Shares to be issued pursuant to the Issue on the Stock Exchanges. The Stock Exchanges assume no responsibility for the correctness of any statements made, opinions expressed or reports contained herein. Admission of the Equity Shares to be issued pursuant to the Issue for trading on the Stock Exchanges should not be taken as an indication of the merits of the business of our Bank or the Equity Shares.

A copy of the Preliminary Placement Document and this Placement Document (which includes disclosures prescribed under Form PAS-4 (as defined hereinafter)) has been delivered to the Stock Exchanges and the Registrar of Companies, Kerala at Ernakulam (the "**RoC**"). Our Bank shall also make the requisite filings with the RoC and the Securities and Exchange Board of India ("**SEBI**") within the stipulated period as required under the Companies Act, 2013 and the Companies (Prospectus and Allotment of Securities) Rules, 2014, as amended. This Placement Document has not been reviewed by SEBI, the Reserve Bank of India ("**RBI**"), the Stock Exchanges, the RoC or any other regulatory or listing authority and is intended only for use by QIBs. This Placement Document has not been and will not be registered as a prospectus with the RoC, will not be circulated or distributed to the public in India or any other jurisdiction, and will not constitute a public offer in India or any other jurisdiction.

Invitations for subscription of Equity Shares to be issued pursuant to this Issue shall only be made pursuant to the Preliminary Placement Document and this Placement Document together with the Application Form (as defined hereinafter). For further details, please see the section entitled "*Issue Procedure*" on page 170. The distribution of this Placement Document or the disclosure of its contents without our Bank's prior consent to any person, other than QIBs and persons retained by QIBs to advise them with respect to their subscription to Equity Shares, is unauthorised and prohibited. Each Bidder, by accepting delivery of this Placement Document, agrees to observe the foregoing restrictions and to make no copies of this Placement Document or any documents referred to in this Placement Document.

The information on our Bank's website or any website directly or indirectly linked to our Bank's website does not constitute nor should form part of this Placement Document and Bidders should not rely on such information contained in, or available through, any such websites.

The Equity Shares have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S ("**Regulation S**") under the Securities Act, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Accordingly, the Equity Shares are being offered and sold (a) in the United States only to persons who are qualified institutional buyers (as defined in Rule 144A under the Securities Act ("**Rule 144A**") and referred to in this Placement Document as "**U.S. QIBs**") pursuant to applicable exemptions under the Securities Act, and (b) outside the United States in an "offshore transaction" in reliance on Regulation S. Prospective purchasers in the United States are hereby notified that our Bank is relying on the exemption under Section 4(a)(2) of the Securities Act. The Equity Shares are transferable only in accordance with the restrictions described under *"Transfer Restrictions and Purchaser Representations"* on page 186. For the avoidance of doubt, the term U.S. QIBs does not refer to a category of institutional investors defined under applicable Indian regulations and referred to in this Placement Document as "**QIBs**".

BOOK RUNNING LEAD MANAGERS			
Citigroup Global Markets India Private Limited	**Deutsche Equities India Private Limited**	**IIFL Holdings Limited***	**Kotak Mahindra Capital Company Limited**

**One of the Directors of our Bank is also a director of IIFL Holdings Limited. In compliance with Regulation 21A of the Securities and Exchange Board of India (Merchant Bankers) Regulations, 1992, as amended, IIFL Holdings Limited would be involved only in the marketing of the Issue.*

This Placement Document is dated June 27, 2017.

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NOTICE TO INVESTORS

Our Bank has furnished, and accepts full responsibility for all of the information contained in this Placement Document and confirms that to the best of its knowledge and belief, having made all reasonable enquiries, this Placement Document contains all information with respect to our Group and the Equity Shares which our Bank considers material in the context of the Issue. The statements contained in this Placement Document relating to our Group and the Equity Shares are, in all material respects, true and accurate and are not misleading, and the opinions and intentions expressed in this Placement Document with regard to our Group and the Equity Shares are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions and information presently available to us. There are no other facts in relation to our Group and the Equity Shares, the omission of which would, in the context of the Issue, make any statement in this Placement Document misleading in any material respect. Further, our Bank has made all reasonable enquiries to ascertain such facts and to verify the accuracy of all such information and statements.

Citigroup Global Markets India Private Limited, Deutsche Equities India Private Limited, IIFL Holdings Limited and Kotak Mahindra Capital Company Limited (collectively, the "**Book Running Lead Managers**" or the "**BRLMs**"), have not separately verified the information contained in this Placement Document (financial, legal or otherwise). Accordingly, none of the BRLMs or any of their respective shareholders, employees, counsel, officers, directors, representatives, agents, associates or affiliates make any express or implied representation, warranty or undertaking, and no responsibility or liability is accepted by the BRLMs or any of their respective shareholders, employees, counsel, officers, directors, representatives, agents, associates or affiliates as to the accuracy or completeness of the information contained in this Placement Document or any other information supplied in connection with the Issue or the distribution of the Equity Shares. Each person receiving this Placement Document acknowledges that such person has neither relied on the BRLMs nor any of their respective shareholders, employees, counsel, officers, directors, representatives, agents, associates or affiliates other than our Bank in connection with such person's investigation of the accuracy of such information or such person's investment decision, and each such person must rely on its own examination of our Group and the merits and risks involved in investing in the Equity Shares.

No person is authorised to give any information or to make any representation not contained in this Placement Document and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of the BRLMs. The delivery of this Placement Document at any time does not imply that the information contained in it is correct as of any time subsequent to its date.

The Equity Shares to be issued pursuant to the Issue have not been approved, disapproved or recommended by the U.S. Securities and Exchange Commission, any other federal or state authorities in the United States or the securities authorities of any non-U.S. jurisdiction or any other U.S. or non-U.S. regulatory authority. No authority has passed on or endorsed the merits of this Issue or the accuracy or adequacy of this Placement Document. Any representation to the contrary is a criminal offence in the United States and may be a criminal offence in other jurisdictions.

The distribution of this Placement Document and the issue of the Equity Shares in certain jurisdictions may be restricted by law. As such, this Placement Document does not constitute, and may not be used for or in connection with, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation. In particular, no action has been taken by our Bank or the BRLMs which would permit an offering of the Equity Shares or distribution of this Placement Document in any jurisdiction other than India where action for that purpose is required. Accordingly, the Equity Shares may not be offered or sold, directly or indirectly, and neither this Placement Document nor any Issue materials in connection with the Equity Shares may be distributed or published in or from any country or jurisdiction that would require registration of the Equity Shares in such country or jurisdiction. For further information, see "*Selling Restrictions*" on page 180. The Equity Shares are trasferable only in accordance with the restrictions described in "*Transfer Restrictions and Purchaser Representations*" on page 186.

The Equity Shares have not been and will not be registered under the Securities Act, and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws.

Within the United States, this Placement Document is being provided only to persons who are U.S. QIBs. Distribution of this Placement Document to any person other than the offeree specified by the BRLMs or their respective representatives, and those persons, if any, retained to advise such offeree with respect thereto, is unauthorised, and any disclosure of its contents, without prior written consent of our Bank, is prohibited. Any reproduction or distribution of this Placement Document in the United States, in whole or in part, and any disclosure of its contents to any other person is prohibited.

Notice to Investors in Canada

Prospective Canadian investors are advised that the information contained within this Placement Document has not been prepared with regard to matters that may be of particular concern to Canadian investors. Accordingly, prospective Canadian investors should consult with their own legal, financial and tax advisers concerning the information contained within the Placement Document and as to the suitability of an investment in the Equity Shares in their particular circumstances.

The offer and sale of the Equity Shares in Canada will only be made in the provinces of Alberta, British Columbia, Ontario and Québec or to residents thereof and not in, or to the residents of, any other province or territory of Canada. Such offers and sales will be made only under exemptions from the requirement to file a prospectus in the above mentioned provinces.

The Equity Shares may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions ("**NI-45-106**") or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Equity Shares must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Placement Document (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts ("**NI 33-105**"), the BRLMs are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with the Issue.

We hereby notify prospective Canadian purchasers that: (a) we may be required to provide personal information pertaining to the purchaser as required to be disclosed in Schedule I of Form 45-106F1 under NI 45-106 (including its name, address, telephone number and the aggregate purchase price of any Equity Shares purchased) ("personal information"), which Form 45-106F1 may be required to be filed by us under NI 45-106, (b) such personal information may be delivered to the Ontario Securities Commission (the "**OSC**") in accordance with NI 45-106, (c) such personal information is collected indirectly by the OSC under the authority granted to it under the securities legislation of Ontario, (d) such personal information is collected for the purposes of the administration and enforcement of the securities legislation of Ontario, and (e) the public official in Ontario who can answer questions about the OSC's indirect collection of such personal information is the Administrative Support Clerk at the OSC, Suite 1903, Box 55, 20 Queen Street West, Toronto, Ontario M5H 3S8, Telephone: (416) 593-3684. Prospective Canadian purchasers that purchase Equity Shares in the Issue will be deemed to have authorized the indirect collection of the personal information by the OSC, and to have acknowledged and consented to its name, address, telephone number and other specified information, including the aggregate purchase price paid by the purchaser, being disclosed to other Canadian securities regulatory authorities, and to have acknowledged that such information may become available to the public in accordance with requirements of applicable Canadian laws.

Upon receipt of this offering circular, each Canadian purchaser hereby confirms that it has expressly requested that all documents evidencing or relating in any way to the sale of the securities described herein (including for greater certainty any purchase confirmation or any notice) be drawn up in the English language only. Par la réception de ce document, chaque acheteur canadien confirme par les présentes qu'il a expressément exigé que tous les documents faisant foi ou se rapportant de quelque manière que ce soit à la vente des valeurs mobilières décrites aux présentes (incluant, pour plus de certitude, toute confirmation d'achat ou tout avis) soient rédigés en anglais seulement.

In making an investment decision, investors must rely on their own examination of our Bank and the terms of the Issue, including the merits and risks involved. Investors should not construe the contents of this Placement Document as legal, tax, accounting or investment advice. Investors should consult their own counsel and advisors as to business, legal, tax, accounting and related matters concerning the Issue. In addition, neither our Bank nor the BRLMs are making any representation to any offeree or subscriber of the Equity Shares regarding the legality of an investment in the Equity Shares by such offeree or subscriber under applicable laws or regulations.

Each subscriber of the Equity Shares in the Issue is deemed to have acknowledged, represented and agreed that it is a QIB and is eligible to invest in India and in our Bank under Indian laws, including Chapter VIII of the SEBI ICDR Regulations and Section 42 of the Companies Act, 2013 and the rules and regulations made thereunder and is not prohibited by SEBI or any other regulatory authority from buying, selling or dealing in securities. Each subscriber of the Equity Shares also acknowledges that it has been afforded an opportunity to request from our Bank and review information pertaining to our Bank and the Equity Shares. This Placement Document contains summaries of certain terms of certain documents, which are qualified in their entirety by the terms and conditions of such documents and disclosures included in the section entitled "Risk Factors" on page 41.

The information on our Bank's website at www.federalbank.co.in or any website directly or indirectly linked to our Bank's website or the website of each of the BRLMs, their associates or their affiliates, does not constitute or form part of this Placement Document. This Placement Document contains summaries of certain terms of certain documents, which summaries are qualified in their entirety by the terms and conditions of such documents.

Intimation to Investors

This is with reference to the Preliminary Placement Document filed by our Bank with the Stock Exchanges in relation to the Issue. The Investors may note the following:

- The term “Review Committee” is deleted from the section entitled “Definitions and Abbreviations” beginning on page 17 of the Preliminary Placement Document;

- The following amnedments have been made under the section titled “Capital Structure” on page 72 of the Preliminary Placement Document is amended as follows:

  - The "Issued Capital before the Issue" disclosed in the table on page 72 of the Preliminary Placement Document is amended from ₹3,450,788,918 to ₹3,456,240,852; and

  - The following row is added to the table setting forth details of allotments of Equity Shares beginning on page 72 of the Preliminary Placement Document:

Date of Allotment	No. of Equity Shares	Face Value (₹)	Issue price (₹) unless stated otherwise	Nature of Consideration	Cumulative number of Equity Shares
April 27, 2017	658,940	2	42.07	Cash	1,725,293,574

REPRESENTATIONS BY INVESTORS

References herein to "you" or "your" is to Bidders in the Issue.

By bidding for, or subscribing to, any Equity Share under the Issue, you are deemed to have represented, warranted, acknowledged and agreed with our Bank and the BRLMs, as follows:

1. You are a QIB as defined under Regulation 2(1)(zd) of the SEBI ICDR Regulations and not excluded pursuant to Regulation 86(1)(b) of the SEBI ICDR Regulations, having a valid and existing registration under the applicable laws and regulations, and undertake to acquire, hold, manage or dispose of any Equity Shares that are Allotted to you in accordance with Chapter VIII of the SEBI ICDR Regulations, the Companies Act and undertake to comply with the SEBI ICDR Regulations and all other applicable laws including any reporting obligations;

2. If you are not a resident of India, but a QIB, you are an Eligible FPI (including a sub-account other than a sub-account which is a foreign corporate or a foreign individual) having a valid and existing registration with SEBI under the applicable laws in India or a multilateral or bilateral development financial institution, and are eligible to invest in India under applicable law, including the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000, as amended, and any notifications, circulars or clarifications issued thereunder, and have not been prohibited by SEBI or any other regulatory authority, from buying, selling or dealing in securities. You confirm that you are not an FVCI;

3. You will make all necessary filings with appropriate regulatory authorities, including the RBI, as required pursuant to applicable laws;

4. If you are Allotted the Equity Shares pursuant to the Issue, you shall not, for a period of one year from the date of Allotment, sell the Equity Shares so acquired except on the floor of the Stock Exchanges (additional restrictions apply if you are within the United States), please see the section entitled "*Transfer Restrictions and Purchaser Representations*" on page 186;

5. You are aware that the Equity Shares have not been and will not be registered through a prospectus under the Companies Act, SEBI ICDR Regulations or under any other law in force in India. This Placement Document has not been reviewed, verified or affirmed by RBI, SEBI, the Stock Exchanges or any other regulatory or listing authority and will not be registered with the Registrar of Companies as a prospectus, and is intended only for use by QIBs. The Preliminary Placement Document and this Placement Document have been filed with the stock exchanges for record purposes only and has been displayed on the websites of the Bank and the Stock Exchanges;

6. You are entitled to subscribe for and acquire the Equity Shares under the laws of all relevant jurisdictions which apply to you, you have the necessary capacity and that you have fully observed such laws and obtained all such governmental and other consents in each case which may be required thereunder and complied with all necessary formalities, to enable you to commit to participation in the Issue and to perform your obligations in relation thereto (including, without limitation, in the case of any person on whose behalf you are acting, all necessary consents and authorizations to agree to the terms set out or referred to in this Placement Document), and will honour such obligations;

7. You confirm that, either: (i) you have not participated in or attended any investor meetings or presentations by our Bank or its agents with regard to our Bank, the Equity Shares or the Issue ("**Bank's Presentations**"); or (ii) if you have participated in or attended any Bank's Presentations: (a) you understand and acknowledge that the BRLMs may not have knowledge of the statements that our Bank or its agents may have made at such Bank's Presentations and are therefore unable to determine whether the information provided to you at such Bank's Presentations may have included any material misstatements or omissions, and, accordingly you acknowledge that the BRLMs have advised you not to rely in any way on any information that was provided to you at such Bank's Presentations, and (b) confirm that, to the best of your knowledge, you have not been provided any material information that was not publicly available;

8. Neither our Bank, nor the BRLMs or any of their respective shareholders, directors, officers, employees, counsel, representatives, agents, associates or affiliates is making any recommendations to you or advising you regarding the suitability of any transactions it may enter into in connection with the Issue and that participation in the Issue is on the basis that you are not and will not, up to the Allotment, be a client of any of the BRLMs. Neither the BRLMs nor any of their respective shareholders, employees, counsel, officers, directors, representatives, agents, associates or affiliates have any duties or responsibilities to you for providing the protection afforded to their clients or for providing advice in relation to the Issue and are in no way acting in a fiduciary capacity to you;

9. You are aware that if you are Allotted more than 5% of the Equity Shares in the Issue, our Bank shall be required to disclose your name and the number of Equity Shares Allotted to you to the Stock Exchanges, and the Stock Exchanges will make the same available on their website and you consent to such disclosures;

10. You are aware that in accordance with Section 12B of the Banking Regulation Act read with the Reserve Bank of India (Prior approval for acquisition of shares or voting rights in private sector banks) Directions, 2015, dated November 19, 2015, ("**RBI Acquisition Circular**") no person can make an acquisition which will/is likely to take the aggregate holding of such person (as defined in the RBI Acquisition Circular), together with shares, voting rights, compulsorily convertible debentures or bonds held by him or his relatives, associate enterprise (as defined in the Banking Regulations Act) and persons acting in concert with him ("**Holding**") to 5% or more of the total paid-up share capital of our Bank, or be entitled to exercise 5% or more of the total voting rights of our Bank, without prior approval of the RBI. Accordingly, you hereby represent that your (direct or indirect) aggregate holding in the paid-up share capital of our Bank, whether beneficial or otherwise:

    (i). after subscription to the Equity Shares in the Issue by your relatives, your associate enterprises (as defined in the Banking Regulations Act) or persons acting in concert with you, aggregated with your pre-Issue Holding; or

    (ii). after subscription to the Equity Shares in the Issue by you aggregated with your pre-Issue Holding;

    shall not amount to 5% or more of the total paid-up share capital of our Bank or would not entitle you to exercise 5% or more of the total voting rights of our Bank, except with the prior approval of the RBI. All shareholders Holding more than 5% of the total paid-up capital who intend to participate in the Issue are required to submit details of the source of funds for such acquisition of Equity Shares and obtain "no-objection" certificate from our Bank. In the event already existing shareholder(s) Holding more than 5% of the total paid-up capital subscribes to Equity Shares offered in the Issue such that their total Holding in our Bank goes beyond 10% of the total paid-up capital, prior approval of the RBI shall be obtained by such existing shareholder participating in the Issue. The RBI, when considering whether to grant an approval, may take into account all matters that it considers relevant to the application, including ensuring that shareholders whose Holdings are above specified thresholds meet fit and proper criteria prescribed by RBI.

11. All statements other than statements of historical fact included in this Placement Document, including, without limitation, those regarding our financial position, business strategy, plans and objectives of management for future operations (including development plans and objectives relating to our business), are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause actual results to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding our present and future business strategies and environment in which our Bank will operate in the future. You should not place undue reliance on forward-looking statements, which speak only as of the date of this Placement Document. Our Bank assumes no responsibility to update any of the forward-looking statements contained in this Placement Document;

12. You have been provided a serially numbered copy of the Preliminary Placement Document and this Placement Document and have read them in their entirety, including, in particular, the section entitled "*Risk Factors*" on page 41;

13. You are aware and understand that the Equity Shares are being offered only to QIBs and are not being offered to the general public and that the Allotment shall be on a discretionary basis, in consultation with the BRLMs;

14. You have made, or are deemed to have made, as applicable, the representations set forth under the sections entitled "*Selling Restrictions*" and "*Transfer Restrictions and Purchaser Representations*" on pages 180 and 186, respectively;

15. You understand that the Equity Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state of the United States and accordingly, may not be offered or sold within the United States, except in reliance on an exemption from the registration requirements of the Securities Act.;

16. If you are within the United States, you are a U.S. QIB, and are acquiring the Equity Shares for your own account or for the account of an institutional investor who also meets the definition of a U.S. QIB, for investment purposes only, and not with a view to, or for resale in connection with, the distribution (within the meaning of any United States securities laws) thereof, in whole or in part and are not an affiliate of our Bank or a person acting on behalf of such an affiliate;

17. If you are outside the United States, you are subscribing for the Equity Shares in an offshore transaction within the meaning of Regulation S, and are not our Bank's or the BRLMs' affiliate or a person acting on behalf of such an affiliate;

18. You are not acquiring or subscribing for the Equity Shares as a result of any general solicitation or general advertising (as those terms are defined in Regulation D) or directed selling efforts (as defined in Regulation S) and you understand and agree that offers and sales are being made in reliance on an exemption to the registration requirements of the Securities Act provided by Section 4(a)(2) of the Securities Act or Regulation S or another available exemption from registration under the Securities Act and the Equity Shares may not be eligible for resale under Rule 144A thereunder. You understand and agree that the Equity Shares are transferable only in accordance with the restrictions described under "*Selling Restrictions*" and "*Transfer Restrictions and Purchaser Representations*" on pages 180 and 186, respectively;

19. In making your investment decision, you have (i) relied on your own examination of our Bank and the terms of the Issue, including the merits and risks involved, (ii) made and will continue to make your own assessment of our Bank, the Equity Shares and the terms of the Issue based solely on the information contained in the Preliminary Placement Document and this Placement Document, (iii) consulted your own independent advisors or otherwise have satisfied yourself concerning without limitation, the effects of local laws, (iv) relied solely on the information contained in the Preliminary Placement Document and this Placement Document and no other disclosure or representation made by our Bank, its Directors and affiliates, or any other party, (v) received all information that you believe is necessary or appropriate in order to make an investment decision in respect of our Bank and the Equity Shares and (vi) relied upon your own investigation and resources in deciding to invest in the Issue;

20. You are a sophisticated investor and have such knowledge and experience in financial, business and investment matters as to be capable of evaluating the merits and risks of an investment in the Equity Shares. You and any accounts for which you are subscribing the Equity Shares (i) are each able to bear the economic risk of the investment in the Equity Shares; (ii) will not look to our Bank or any of the BRLMs or any of their respective shareholders, employees, counsel, officers, directors, representatives, agents, associates or affiliates for all or part of any such loss or losses that may be suffered; (iii) are able to sustain a complete loss on the investment in the Equity Shares; (iv) have no need for liquidity with respect to the investment in the Equity Shares; and (v) have no reason to anticipate any change in your or their circumstances, financial or otherwise, which may cause or require any sale or distribution by you or them of all or any part of the Equity Shares. You acknowledge that an investment in the Equity Shares involves a high degree of risk and that the Equity Shares are, therefore, a speculative investment. You are seeking to subscribe to the Equity Shares in the Issue for your own investment and not with a view to resale or distribute;

21. You agree that in terms of Section 42(7) of the Companies Act, 2013, we shall file the list of QIBs (to whom this Placement Document has been circulated) along with other particulars with the RoC and SEBI within 30 days of circulation of the Preliminary Placement Document and other filings required under the Companies Act, 2013;

22. The BRLMs or any of their respective shareholders, directors, officers, employees, counsel, representatives, agents or affiliates have not provided you with any tax advice or otherwise made any representations regarding the tax consequences of the purchase, ownership and disposal of the Equity Shares (including but not limited to the Issue and the use of the proceeds from the Equity Shares). You will obtain your own independent tax advice and will not rely on the BRLMs or any of their respective shareholders, employees, counsel, officers, directors, representatives, agents or affiliates or our Bank when evaluating the tax consequences in relation to the Equity Shares (including but not limited to the Issue and the use of the proceeds from the Equity Shares). You waive and agree not to assert any claim against the BRLMs or our Bank with respect to the tax aspects of the Equity Shares or the Issue or as a result of any tax audits by tax authorities, wherever situated;

23. That where you are acquiring the Equity Shares for one or more managed accounts, you represent and warrant that you are authorised in writing, by each such managed account to acquire the Equity Shares for each managed account; and to make the acknowledgements and agreements herein for and on behalf of each such account, reading the reference to "you" to include such accounts;

24. The Bid made by you would not result in triggering a tender offer under the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, as amended (the "**Takeover Regulations**");

25. You have no right to withdraw your Application after the Bid/Issue Closing Date (as defined hereinafter);

26. You are eligible to apply for and hold Equity Shares so Allotted and together with any securities of our Bank held by you prior to the Issue. You further confirm that your holding upon the issue and allotment of the Equity Shares shall not exceed the level permissible as per any applicable law;

27. To the best of your knowledge and belief, your aggregate holding together with other Bidders in the Issue that belong to the same group or are under common control as you, pursuant to the Allotment under the Issue shall not exceed 50% of the Issue Size. For the purposes of this representation:

    - the expression 'belongs to the same group' shall derive meaning from the concept of 'companies under the same group' as provided under Section 372(11) of the Companies Act, 1956; and

    - 'control' shall have the same meaning as is assigned to it under Regulation 2(1)(e) of the Takeover Regulations.

28. You shall not undertake any trade in the Equity Shares credited to your beneficiary account until such time that the final listing and trading approvals for the Equity Shares are issued by the Stock Exchanges;

29. You are aware and understand that the BRLMs have entered into a placement agreement with our Bank, whereby the BRLMs have, subject to the satisfaction of certain conditions set out therein, severally and not jointly, agreed to manage

the Issue and use reasonable efforts to procure subscriptions for the Equity Shares on the terms and conditions set forth therein;

30. The contents of this Placement Document are exclusively the responsibility of our Bank and that neither the BRLMs nor any person acting on their behalf or any of their counsel or advisor has or shall have any liability for any information, representation or statement contained in this Placement Document or any information previously published by or on behalf of our Bank and will not be liable for your decision to participate in the Issue based on any information, representation or statement contained in the Preliminary Placement Document and this Placement Document or otherwise. The only information you are entitled to rely on, and on which you have relied in committing yourself to acquire the Equity Shares is contained in this Placement Document, such information being all that you deem necessary to make an investment decision in respect of the Equity Shares. By participating in the Issue, you agree to the same and confirm that you have neither received nor relied on any other information, representation, warranty or statement made by or on behalf of the BRLMs or our Bank or any other person and none of the BRLMs, our Bank or any other person will be liable for your decision to participate in the Issue based on any other information, representation, warranty or statement that you may have obtained or received;

31. You understand that the Equity Shares will, when issued, be credited as fully paid and will rank pari-passu in all respects with the Equity Shares including the right to receive all dividend and other distributions declared, made or paid in respect of the Equity Shares after the date of issue of the Equity Shares;

32. You agree to indemnify and hold our Bank and the BRLMs harmless from any and all costs, claims, liabilities and expenses (including legal fees and expenses) arising out of or in connection with any breach of your representations, warranties, acknowledgements and undertakings in this Placement Document including this section. You agree that the indemnity set forth in this section shall survive the resale of the Equity Shares Allotted under this Issue by or on behalf of the managed accounts;

33. You are eligible to invest in India and in the Equity Shares under applicable law, including the Foreign Exchange Management (Transfer or Issue of Security by Person Resident Outside India) Regulations, 2000, as amended and have not been prohibited by SEBI or any other regulatory or statutory authority or otherwise from buying, selling or dealing in securities;

34. You understand that none of the BRLMs has any obligation to purchase or acquire all or any part of the Equity Shares which are subscribed by you in the Issue or to support any losses directly or indirectly sustained or incurred by you for any reason whatsoever in connection with the Issue, including non-performance by us of any of our respective obligations or any breach of any representations or warranties by us, whether to you or otherwise;

35. You are aware that (i) applications for in-principle approval, in terms of Regulation 28(1) of the SEBI Listing Regulations for listing and admission of the Equity Shares and for trading on BSE and NSE, were made and such approvals have been received from BSE and NSE, and (ii) the application for the final listing and trading approval will be made only after Allotment. There can be no assurance that the final approvals for listing of the Equity Shares will be obtained in time or at all. Our Bank or the BRLMs shall not be responsible for any delay or non-receipt of such final approvals or any loss arising from such delay or non-receipt;

36. You are a sophisticated investor who is seeking to purchase the Equity Shares for your own investment and not with a view to distribution. In particular, you acknowledge that (i) an investment in the Equity Shares involves a high degree of risk and that the Equity Shares are, therefore, a speculative investment, (ii) you have sufficient knowledge, sophistication and experience in financial and business matters so as to be capable of evaluating the merits and risk of the purchase of the Equity Shares, and (iii) you are experienced in investing in private placement transactions of securities of companies in a similar stage of development and in similar jurisdictions and have such knowledge and experience in financial, business and investments matters that you are capable of evaluating the merits and risks of your investment in the Equity Shares;

37. You agree that any dispute arising in connection with the Issue will be governed by and construed in accordance with the laws of India, and the courts in Mumbai, India shall have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Preliminary Placement Document and this Placement Document;

38. Unless survival is specifically provided for, each of the representations, warranties, acknowledgements and agreements set out above shall continue to be true and accurate at all times, up to and including the Allotment, listing and trading of the Equity Shares in the Issue;

39. You have made, or are deemed to have made, as applicable, the representations set forth in this section entitled "*Representations by Investors*"; and

40. Our Bank, the BRLMs, their respective affiliates and others will rely on the truth and accuracy of the foregoing representations, warranties, acknowledgements and undertakings which are given to the BRLMs on their own behalf and on behalf of our Bank and are irrevocable.

OFFSHORE DERIVATIVE INSTRUMENTS

Subject to compliance with all applicable Indian laws, rules, regulations, guidelines, and approvals in terms of Regulation 22 of the SEBI FPI Regulations, FPIs (other than a Category III Foreign Portfolio Investor and unregulated broad based funds which are classified as Category II FPIs by virtue of their investment manager being appropriately regulated), may issue, subscribe, or otherwise deal in offshore derivative instruments, as defined under SEBI FPI Regulations (referred to herein as "**P-Notes**"), for which they may receive compensation from the purchasers of such instruments. You should ensure that any P-Notes issued by you have been issued in compliance with all applicable laws (including Regulation 22 of the SEBI FPI Regulations and relevant circulars issued by SEBI). P-Notes have not been and are not being offered or sold pursuant to this Placement Document. This Placement Document does not contain any information concerning P-Notes or the issuer(s) of any P-notes, including any information regarding any risk factors relating thereto.

Any P-Notes that may be issued are not securities of our Bank and do not constitute any obligation of, claims on, or interests in, our Bank. Our Bank has not participated in any offer of any P-Notes, or in the establishment of the terms of any P-Notes, or in the preparation of any disclosure related to any P-Notes. Any P-Notes that may be offered are issued by, and are the sole obligations of, third parties that are unrelated to our Bank. Our Bank and the BRLMs do not make any recommendation as to any investment in P-Notes and do not accept any responsibility whatsoever in connection with any P-Notes. Any P-Notes that may be issued are not securities of the BRLMs and do not constitute any obligations of, or claims on, the BRLMs. Affiliates of the BRLMs which are FPIs may purchase the Equity Shares in the Issue, and may issue P-Notes in respect thereof, in each case, to the extent permissible under law.

Prospective investors interested in purchasing any P-Notes have the responsibility to obtain adequate disclosures as to the issuers of such P-Notes and the terms and conditions of any such P-Notes from the issuers of such P-Notes. Neither SEBI nor any other regulatory authority has reviewed or approved any P-Notes or any disclosure related thereto. Bidders are urged to consult with their own financial, legal, accounting and tax advisors regarding any contemplated investment in P-Notes, including whether P-Notes are issued in compliance with applicable laws and regulations.

DISCLAIMER CLAUSE

Disclaimer Clause of the Stock Exchanges

As required, a copy of the Preliminary Placement Document and this Placement Document have been submitted to the Stock Exchanges. The Stock Exchanges do not in any manner:

1. warrant, certify or endorse the correctness or completeness of any of the contents of the Preliminary Placement Document and this Placement Document;

2. warrant that the Equity Shares will be listed or will continue to be listed on the Stock Exchanges; or

3. take any responsibility for the financial or other soundness of our Bank, its management or any scheme or project of our Bank;

and it should not for any reason be deemed or construed to mean that this Placement Document has been cleared or approved by the Stock Exchanges. Every person who desires to apply for or otherwise acquire any Equity Shares may do so pursuant to an independent inquiry, investigation and analysis and shall not have any claim against the Stock Exchanges whatsoever, by reason of any loss which may be suffered by such person consequent to or in connection with such subscription or acquisition, whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Certain Conventions

In this Placement Document, unless otherwise specified or the context otherwise indicates or implies, references to "you", "your", "offeree", "purchaser", "subscriber", "recipient", "investors", "prospective investors" and "potential investor" are to the Bidders of Equity Shares in the Issue and references to the "Issuer", "Federal Bank", "Bank", "our Bank" refers to The Federal Bank Limited and references to "we", "us", or "our" are to our Group.

References in this Placement Document to "India" are to the Republic of India and its territories and possessions and the "Government" or the "Central Government" or the "state government" are to the Government of India ("**GoI**"), or the governments of any state in India, as applicable and as the case may be. All references herein to the "U.S." or the "United States" are to the United States of America and its territories and possessions. References to the singular also refers to the plural and one gender also refers to any other gender, wherever applicable.

Financial and Other Information

In this Placement Document, references to "USD", "$", "U.S.$" and "U.S. dollars" are to the legal currency of the United States and references to, "₹", "Rs.", "INR" and "Rupees" are to the legal currency of India.

Our Bank publishes its Financial Statements in Indian Rupees. The audited standalone and consolidated financial statements as at and for the years ended March 31, 2017, March 31, 2016 and March 31, 2015 that have been included in this Placement Document have been prepared in accordance with Indian GAAP and the provisions of Banking Regulation Act, read with relevant guidelines and directions issued by the RBI and the Companies Act, 2013 read along with rules thereunder. The underlying financial statements of the Subsidiary and Associate of our Bank are prepared in accordance with Indian GAAP as applicable to the Subsidiary and Associate under their regulatory framework. The audited standalone and consolidated financial statements as of and for the years ended March 31, 2017 have been jointly audited by BSR & Co. LLP, Chartered Accountants and M.M. Nissim & Co., Chartered Accountants, while the audited standalone and consolidated financial statements as at and for the years ended March 31, 2016 and March 31, 2015 have been jointly audited by Deloitte Haskins & Sells, Chartered Accountants and M P Chitale & Co., Chartered Accountants in accordance with the applicable standards on auditing in India prescribed by the ICAI.

Our audited financial statements as of and for the year ended March 31, 2017 included in this Placement Document are to be placed before the shareholders at the next AGM to be held on July 14, 2017. Our Bank does not quantify the impact of U.S. GAAP or International Financial Reporting Standards ("**IFRS**") on the financial data included in this Placement Document, nor does our Bank provide a reconciliation of its financial statements to U.S. GAAP or IFRS. Each of U.S. GAAP and IFRS differ in certain significant respects from Indian GAAP. Accordingly, the degree to which the standalone and consolidated financial statements prepared in accordance with Indian GAAP included in this Placement Document will provide meaningful information is entirely dependent on the reader's familiarity with the respective accounting practices. Any reliance by persons not familiar with Indian accounting practices on the financial disclosures presented in this Placement Document should accordingly be limited. Our Bank is required to prepare its financial statements in accordance with Ind AS from April 1, 2018. For further details see "*Risk Factors – Banking companies in India, including us, are required to prepare financial statements under the IND-AS for periods beginning from April 1, 2018. The transition to IND-AS is recent and there is no clarity on the effect of such transition on the Bank.*" on page 55.

The Financial Year of our Bank commences on April 1 of each calendar year and ends on March 31 of the succeeding calendar year. Unless otherwise stated, references in this Placement Document to a particular year are to the calendar year ended on December 31, and to a particular "Financial" or "Financial Year" or "FY" are to the financial year ended on March 31.

All amounts are in INR Millions, Thousands, or Crores except share data which are given in absolute numbers.

All figures appearing in this Placement Document have been rounded off to two decimal places. Accordingly, the figure shown as totals herein may be not be an arithmetic aggregation of the figures which precede them.

INDUSTRY AND MARKET DATA

Information regarding market position, growth rates, other industry data and certain industry forecasts pertaining to our business contained in this Placement Document consists of estimates based on data reports compiled by Reserve Bank of India, government bodies, data from other external sources and knowledge of the markets in which our Bank and our Subsidiary compete. Unless stated otherwise, the statistical information included in this Placement Document relating to the industry in which we operate has been reproduced from various trade, industry and government publications and websites.

This data is subject to change and cannot be verified with certainty due to limits on the availability and reliability of the raw data and other limitations and uncertainties inherent in any statistical survey. Neither our Bank nor any of the BRLMs have independently verified the industry and market data and do not make any representation regarding accuracy or completeness of such data. Our Bank takes responsibility for accurately reproducing such information but accepts no further responsibility in respect of such information and data. In many cases, there is no readily available external information (whether from trade or industry associations, government bodies or other organizations) to validate market-related analysis and estimates, so our Bank has relied on internally developed estimates. Similarly, while our Bank believes its internal estimates to be reasonable, such estimates have not been verified by any independent sources and neither our Bank nor any of the BRLMs can assure Bidders as to their accuracy.

The extent to which the market and industry data used in this Placement Document is meaningful depends on the reader’s familiarity with and understanding of the methodologies used in compiling such data.

AVAILABLE INFORMATION

Our Bank has agreed that, for so long as any Equity Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, our Bank will, during any period in which it is neither subject to Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, provide to any holder or beneficial owner of such restricted securities or to any prospective purchaser of such restricted securities designated by such holder or beneficial owner, upon the request of such holder, beneficial owner or prospective purchaser, the information required to be provided by Rule 144A(d)(4) under the Securities Act, subject to compliance with applicable provisions of Indian law.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this Placement Document that are not statements of historical fact constitute "forward-looking statements". Investors can generally identify forward-looking statements by terminology such as "aim", "anticipate", "believe", "continue", "can", "could", "estimate", "expect", "intend", "may", "objective", "plan", "potential", "project", "pursue", "shall", "should", "will", "would", or other words or phrases of similar import. Similarly, statements that describe the strategies, objectives, plans or goals of our Bank are also forward-looking statements. However, these are not the exclusive means of identifying forward-looking statements.

All statements regarding our expected financial conditions, results of operations, business plans and prospects are forward-looking statements. These forward-looking statements include statements as to our business strategy, planned projects, revenue and profitability (including, without limitation, any financial or operating projections or forecasts), new business products or services and other matters discussed in this Placement Document that are not historical facts. These forward-looking statements contained in this Placement Document (whether made by us or any third party), are predictions and involve known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, performance or achievements of our Group to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or other projections. All forward-looking statements are subject to risks, uncertainties and assumptions about our Group that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement. Important factors that could cause the actual results, performances and achievements of our Group to be materially different from any of the forward-looking statements include, among others:

- Risks associated with having geographically concentrated operations;
- Risks associated with borrower and industry concentrations, default by any large borrower and a deterioration in the performance of any of the industry sectors in which we have significant exposure;
- Decline in NRI deposits;
- Increase in our portfolio of non-performing assets;
- A decline in collateral values or an inability on our part to enforce collateral value;
- Macro-economic developments and other market factors;
- Inability to secure longer-term funding for our operations when we need it or at a competitive cost;
- Inablility to access capital as and when we need it for growth;
- Any worldwide financial instability that may influence the Indian economy and affect our business; and
- Our ability to restructure our loans and NPAs and enforce collateral and security;

Additional factors that could cause actual results, performance or achievements of our Group to differ materially include, but are not limited to, those discussed under the sections entitled "*Risk Factors*", "*Industry Overview*", "*Business*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" on pages 41, 113, 124 and 78, respectively.

The forward-looking statements contained in this Placement Document are based on the beliefs of the management, as well as the assumptions made by, and information currently available to, the management of our Bank. Although we believe that the expectations reflected in such forward-looking statements are reasonable at this time, it cannot assure investors that such expectations will prove to be correct. Given these uncertainties, investors are cautioned not to place undue reliance on such forward-looking statements. In any event, these statements speak only as of the date of this Placement Document or the respective dates indicated in this Placement Document, and we undertake no obligation to update or revise any of them, whether as a result of new information, future events or otherwise. If any of these risks and uncertainties materialize, or if any of our Bank's underlying assumptions prove to be incorrect, the actual results of operations or financial condition of our Group could differ materially from that described herein as anticipated, believed, estimated or expected. All subsequent forward-looking statements attributable to us are expressly qualified in their entirety by reference to these cautionary statements.

ENFORCEMENT OF CIVIL LIABILITIES

Our Bank is a public limited liability company incorporated under the laws of India. All our Directors, the Senior Management Personnel named herein are residents of India and all or a substantial portion of the assets of our Bank and such persons are located in India. As a result, it may be difficult or may not be possible for investors outside India to effect service of process upon our Bank or such persons in India, or to enforce judgments obtained against such parties outside India.

Recognition and enforcement of foreign judgments is provided for under Section 13 and Section 44A of the Code of Civil Procedure, 1908, as amended (the "**Civil Procedure Code**"), on a statutory basis. Section 13 of the Civil Procedure Code provides that a foreign judgment shall be conclusive regarding any matter directly adjudicated upon between the same parties or parties litigating under the same title, except: (i) where the judgment has not been pronounced by a court of competent jurisdiction; (ii) where the judgment has not been given on the merits of the case; (iii) where it appears on the face of the proceedings that the judgment is founded on an incorrect view of international law or a refusal to recognise the law of India in cases in which such law is applicable; (iv) where the proceedings in which the judgment was obtained were opposed to natural justice; (v) where the judgment has been obtained by fraud; or (vi) where the judgment sustains a claim founded on a breach of any law then in force in India.

India is not a party to any international treaty in relation to the recognition or enforcement of foreign judgments. However, Section 44A of the Civil Procedure Code provides that a foreign judgment rendered by a superior court (within the meaning of that section) in any jurisdiction outside India which the Government of India has by notification declared to be a reciprocating territory, may be enforced in India by proceedings in execution as if the judgment had been rendered by a competent court in India. However, Section 44A of the Civil Procedure Code is applicable only to monetary decrees not being in the nature of any amounts payable in respect of taxes or other charges of a like nature or in respect of a fine or other penalties and does not include arbitration awards.

Among other jurisdictions, the United Kingdom of Great Britain and Northern Ireland, Republic of Singapore and Hong Kong have been declared by the Government to be reciprocating territories for the purposes of Section 44A of the Civil Procedure Code, but the United States of America has not been so declared. A judgment of a court in a jurisdiction which is not a reciprocating territory may be enforced only by a fresh suit upon the judgment and not by proceedings in execution. The suit must be brought in India within three years from the date of the foreign judgment in the same manner as any other suit filed to enforce a civil liability in India. It is unlikely that a court in India would award damages on the same basis as a foreign court if an action is brought in India. Furthermore, it is unlikely that an Indian court would enforce foreign judgments if it viewed the amount of damages awarded as excessive or inconsistent with public policy of India. Further, any judgment or award in a foreign currency would be converted into Rupees on the date of such judgment or award and not on the date of payment. A party seeking to enforce a foreign judgment in India is required to obtain approval from the RBI to repatriate outside India any amount recovered, and any such amount may be subject to income tax in accordance with applicable laws.

EXCHANGE RATE INFORMATION

Fluctuations in the exchange rate between the Rupees and the U.S. dollar will affect the U.S. dollar equivalent of the Rupee price of the Equity Shares on the Stock Exchanges. These fluctuations will also affect the conversion into U.S. dollar of any cash dividends paid in Rupees on the Equity Shares.

The following table sets forth, for the periods indicated, information with respect to the exchange rate between the Rupee and the U.S. dollar (in Rupees per U.S. dollar) based on the reference rates released by the RBI. No representation is made that the Rupees amounts actually represent such amounts in U.S. dollar or could have been or could be converted into USD at the rates indicated, any other rates, or at all.

As of June 23, 2017, the exchange rate (RBI reference rate) was ₹64.54 to US$ 1.00.

	(₹ Per US$)			
	Period end	**Average***	**High**	**Low**
Financial Year:				
2017	64.84	67.09	68.72	64.84
2016	66.33	65.46	68.78	62.16
2015	62.59	61.15	63.75	58.43
Quarter ended:				
March 31, 2017	64.84	67.01	68.23	64.84
December 31, 2016	67.95	67.46	68.72	66.43
September 30, 2016	66.66	66.96	67.50	66.36
Month ended:				
May 31, 2017	64.55	64.42	64.99	64.02
April 30, 2017	64.22	64.51	65.04	64.00
March 31, 2017	64.84	65.88	66.85	64.84
February 28, 2017	66.74	67.08	67.65	66.72
January 31, 2017	67.81	68.08	68.23	67.79
December 31, 2016	67.95	67.9	68.37	67.43

**Average of the official rate for each working day of the relevant period.*

(Source: www.rbi.org.in)

Note: If the RBI reference rate is not available on a particular date due to a public holiday, exchange rates of the previous working day has been disclosed.

DEFINITIONS AND ABBREVIATIONS

This Placement Document uses the definitions and abbreviations set forth below, which you should consider when reading the information contained herein. References to any legislation, act or regulation shall be to such term as amended from time to time.

Bank related terms

Term	Description
Our "Bank", the "Bank", the "Issuer", "TFBL" or "we", "us" or "our"	The Federal Bank Limited, a public limited company incorporated under the Travancore Companies Regulation, 1916 and subsequently registered under the Companies Act, 1956 and having its registered office at Federal Towers, P B No. 103, Aluva, Ernakulam 683 101, Kerala, India
Articles or Articles of Association	The Articles of Association of our Bank, as amended from time to time
Associate / Joint Venture	IDBI Federal Life Insurance Company Limited
Audit Committee	The Audit Committee constituted by the Board of our Bank
Auditors	BSR & Co. LLP, Chartered Accountants and M.M. Nissim & Co., Chartered Accountants, being the joint statutory auditors of our Bank
Board of Directors / Board	The board of directors of our Bank, including any duly constituted committee thereof
Consolidated Financial Statements	The audited consolidated financial statements as at and for the years ended March 31, 2017, March 31, 2016 and March 31, 2015 prepared in accordance with the provisions of Banking Regulation Act, 1949, read with relevant guidelines and directions issued by the RBI, the Companies Act read along with rules thereunder and Indian GAAP
Credit Committee	The Credit Committee & Investment and Raising Capital Committee constituted by the Board of our Bank
CSR Committee	The Corporate Social Responsibility Committee constituted by the Board of our Bank
Customer Service Committee	The Customer Service & Marketing Strategy Committee constituted by the Board of our Bank
Directors	The directors of our Bank
Equity Shares	The equity shares of our Bank of a face value of ₹2 each
ESOS 2010	Federal Bank – Employee Stock Option Scheme 2010
Financial Statements	Collectively, the Consolidated Financial Statements and the Standalone Financial Statements
Group	Collectively, our Bank, its Subsidiary and Associate
HR Committee	The Committee for Human Resources Policy constituted by the Board of our Bank
Investor Grievance Committee	The Investor Grievance, Share Transfer and Stakeholders Relationship Committee constituted by the Board of our Bank
IT Committee	The Information Technology & Operations Committee constituted by the Board of our Bank
Memorandum or Memorandum of Association	The Memorandum of Association of our Bank, as amended from time to time
Nomination and Remuneration Committee	The Nomination, Remuneration, Ethics and Compensation Committee constituted by the Board of our Bank
Registered and Corporate Office	The registered and corporate office of our Bank, being, Federal Towers, P B No. 103, Aluva, Ernakulam 683 101, Kerala, India
Review Committee of the Board on Non-Cooperative Borrowers	The review committee for non-cooperative borrowers constituted by the Board of our Bank
Review Committee of the Board for Wilful Defaulters	The review committee for wilful defaulters constituted by the Board of our Bank
Risk Management Committee	The Risk Management Committee constituted by the Board of our Bank
SCBF Committee	The Special Committee of the Board for monitoring and following up of cases of Frauds

Term	Description
	constituted by the Board of our Bank
Senior Management Personnel	The key management personnel of our Bank in accordance with the provisions of the Companies Act, 2013 and SEBI ICDR Regulations. For details, please see the section entitled "*Board of Directors and Senior Management*" on page 157
Shareholders	Shareholders of our Bank
Standalone Financial Statements	The audited standalone financial statements as at and for the years ended March 31, 2017, March 31, 2016 and March 31, 2015 prepared in accordance with the provisions of Banking Regulation Act, 1949, read with relevant guidelines and directions issued by the RBI, the Companies Act, 2013 read along with rules thereunder and Indian GAAP
Subsidiary	Fedbank Financial Services Limited

Issue related terms

Term	Description
Allocated/ Allocation	The allocation of Equity Shares, by our Bank in consultation with the BRLMs, following the determination of the Issue Price to QIBs on the basis of the Application Form submitted by them, and in compliance with Chapter VIII of the SEBI ICDR Regulations, the Companies Act and other applicable laws
Allot/ Allotment/ Allotted	Unless the context otherwise requires, the issue and allotment of Equity Shares to be issued pursuant to the Issue
Allottees	QIBs to whom Equity Shares are issued and Allotted pursuant to the Issue
Application Form	The form (including any revisions thereof) pursuant to which a QIB shall submit a Bid for the Equity Shares in the Issue
Bid(s)	An indication of interest of a Bidder, including all revisions and modifications thereto, as provided in the Application Form, to subscribe for Equity Shares in the Issue
Bid/Issue Closing Date	June 27, 2017, which is the last date up to which Application Forms shall be accepted by our Bank or the BRLMs on behalf of our Bank
Bid/Issue Opening Date	June 21, 2017
Bid/Issue Period	The period between the Bid/Issue Opening Date and the Bid/Issue Closing Date, inclusive of both days, during which Bidders can submit their Bids
Bidder	Any prospective investor, being a QIB, who makes a Bid pursuant to the terms of the Preliminary Placement Document and the Application Form
CAN or Confirmation of Allocation Note	Note or advice or intimation to the QIBs confirming Allocation of Equity Shares to such QIBs after determination of the Issue Price and requesting payment for the entire applicable Issue Price for all Equity Shares Allocated to such QIBs
Closing Date	The date on which Allotment of Equity Shares pursuant to the Issue shall be made, i.e. on or about June 29, 2017
Cut-off Price	The Issue Price of the Equity Shares to be issued pursuant to the Issue which shall be finalised by our Bank in consultation with the BRLMs
Designated Date	The date of credit of Equity Shares to the demat accounts of the Bidders, as applicable, to the respective QIBs
Escrow Account	The bank account opened by our Bank with the Escrow Agent, where any money received towards the subscription of the Equity Shares is to be deposited, subject to the terms of the Escrow Agreement
Escrow Agent	Federal Bank Limited
Escrow Agreement	Agreement dated June 21, 2017 entered into amongst our Bank, the Escrow Agent and the BRLMs for collection of the Bid Amounts and for remitting refunds, if any, of the amounts collected, to the Bidders
Floor Price	The floor price of ₹117.04 per Equity Share which has been calculated in accordance with

Term	Description
	Chapter VIII of the SEBI ICDR Regulations, subject to a discount of not more than five per cent on the Floor Price in terms of Regulation 85 of the SEBI ICDR Regulations and in accordance with our Shareholders' approval pursuant to the resolution dated June 7, 2017
BRLMs	Citigroup Global Markets India Private Limited, Deutsche Equities India Private Limited, IIFL Holdings Limited and Kotak Mahindra Capital Company Limited
Issue	The offer, issue and Allotment of up to 215,517,241 Equity Shares to QIBs pursuant to Chapter VIII of the SEBI ICDR Regulations and the provisions of the Companies Act, 2013
Issue Price	₹116.00 per Equity Share
Issue Size	The issue of up to 215,517,241 Equity Shares aggregating up to ₹25,000 million
Mutual Fund	A mutual fund registered with SEBI under the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996
Mutual Fund Portion	The Equity Shares proposed to be Allotted in the Issue, being at least 10% of the Issue, which is available for Allocation to Mutual Funds
Pay-in Date	The last date specified in the CAN for payment of application monies by the successful Bidders
Placement Agreement	Placement agreement dated June 21, 2017 entered into by our Bank and the BRLMs
Placement Document	This Placement document dated June 27, 2017 issued by our Bank in accordance with Chapter VIII of the SEBI ICDR Regulations and Sections 42 and 62 of the Companies Act, 2013
Preliminary Placement Document	The preliminary placement document dated June 21, 2017 issued in accordance with Chapter VIII of the SEBI ICDR Regulations and Sections 42 and 62 of the Companies Act, 2013
QIBs or Qualified Institutional Buyers	Qualified institutional buyers, as defined under Regulation 2(1)(zd) of the SEBI ICDR Regulations
QIP	Qualified institutions placement under Chapter VIII of the SEBI ICDR Regulations
Regulation D	Regulation D under the Securities Act
Regulation S	Regulation S under the Securities Act
Relevant Date	June 21, 2017, the date on which our Board of Directors or any authorised committee of our Board of Directors decided to open the Issue
Rule 144A	Rule 144A under the Securities Act
Securities Act	The U.S. Securities Act of 1933, as amended
Stock Exchanges	NSE and BSE
U.S. QIB	A qualified institutional buyer, as defined under Rule 144A

Industry Related Terms

Term	Description
AML	Anti-money laundering
ANBC	Adjusted net bank credit
ATMs	Automated teller machines
Basel Committee	Basel Committee on Banking Supervision
Basel II	Revised framework on "International Convergence of Capital Measurement and Capital Standards" by RBI for International Settlements
Basel III	A global regulatory framework for more resilient banks and banking systems (December 2010 (rev. June 2011)) published by the Bank for International Settlements. RBI issued guidelines on the implementation of Basel III capital regulations in India on May 2, 2012

Term	Description
	and revised as per notification issued by the RBI on March 27, 2014
BCBS	Basel Committee on Banking Supervision
BPLR	The benchmark prime lending rate, based on cost of funds, cost of business operations, provisions and yield curve expectations
CAR	Capital adequacy ratio
CASA	Current account (demand deposit) saving account
CASA Ratio	The ratio of current account and savings account deposits to total deposits
CB	Mid-corporate advances such as commercial banking clients
CBS	Core Banking Solution
CCB	Capital conservation buffer
Cost to income ratio	The ratio of total operating expenses to the sum total of Net Interest Income and other income
Customer Deposit	Deposits and time deposits other than Banks
CRAR	Capital to risk-weighted asset ratio
CRR	Cash reserve ratio
General provision	Contingent provisions against standard assets
ICAAP	Internal Capital Adequacy Assessment Process
IMPS	Interbank mobile payment service
Interest expense	Interest expended
Interest coverage ratio	Interest coverage ratio means net profit before interest and depreciation divided by the interest expenses for the same period
Interest income	Interest earned
IT	Information technology
KYC	Know your customer
LC	Letter of credit
LCR	Liquidity coverage ratio as provided under the Basel III Framework on Liquidity Standards – Liquidity Coverage Ratio, Liquidity Risk Monitoring Tools and LCR Disclosure Standards bearing number RBI/2013-14/635 DBOD.BP.BC.No.120/21.04.098/2013-14 dated June 9, 2014
MSF	Marginal standing facility
MSMEs	Micro, small and medium-sized enterprises
NABARD	National Bank for Agricultural and Rural Development
NBFC	Non-banking financial company registered with the RBI
NDTL	Net demand and time liabilities
Net interest income	Interest income/earned less interest expense/expended
Net interest margin	Net interest margin is the difference between interest earned and interest expended divided by average interest-earning assets
Net NPA	Net non-performing assets
NPA	Non-performing asset
NRI	Non-Resident Indian
NSFR	Net stable funding ratio
Other debt securities	Other debt securities comprises investments in bonds, commercial papers and certificate of

Term	Description
	deposits and debentures
RIDF	Rural Infrastructure Development Fund
ROA	Return on assets
SARFAESI Act	The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002, as amended
Savings accounts	Savings bank deposits
SMA	Special Mentioned Accounts
SMA2	All borrowers classified as standard and having exposure of ₹ 50 million or more, wherein the principal sum or the interest due is overdue between 61 and 90 days
SLR	Statutory liquidity ratio (as per requirements of the RBI)
SME	Small and medium enterprises
Tier I capital	Tier I capital is the going-concern capital. From regulatory capital perspective, going-concern capital is the capital which can absorb loses without triggering bankruptcy of a bank. Tier I capital is comprised of the CET I capital and the Additional Tier I capital. Tier I capital comprises of Equity Share Capital, Reserves and Surplus excluding Investment Revaluation Reserve, 75% of foreign currency translation reserve and innovative perpetual debt instruments.
Tier II capital	Tier II capital is the gone-concern capital. From regulatory capital perspective, gone-concern capital is the capital which will absorb losses only in a situation of liquidation of a bank. Tier II capital is comprised of eligible debt capital instruments as specified under regulatory requirements, general provisions and loss reserves as prescribed by the RBI (up to a maximum of 1.25% of total credit risk-weighted assets), revaluation reserves at a discount of 55.00%, as reduced by regulatory adjustments/ deductions applied in the calculation of the Tier II capital as prescribed in extant RBI guidelines. Tier II capital comprises of upper tier II capital, lower tier II capital, investment revaluation reserve and eligible standard asset provision.
VaR	Value-at-risk
Yield on investments	Yield to investments is the ratio between interest income on investments to average interest-earning investments

Conventional and general terms

Term	Description
AGM	Annual General Meeting
Banking Regulation Act	The Banking Regulation Act, 1949
BSE	BSE Limited
CAGR	Compound annual growth rate
Calendar Year	Year ending on December 31
Category III Foreign Portfolio Investor	An FPI registered as a category III foreign portfolio investor under the SEBI FPI Regulations
CCI	Competition Commission of India
CDR	Corporate Debt Restructuring
CDSL	Central Depository Services (India) Limited
CESTAT	Customs, Excise and Service Tax Appellate Tribunal
CIN	Corporate Identity Number
Civil Procedure Code	The Code of Civil Procedure, 1908

Term	Description
Companies Act	The Companies Act, 1956 or the Companies Act, 2013, as applicable
Companies Act, 1956	The Companies Act, 1956 (without reference to the provisions thereof that have ceased to have effect upon notification of the sections of the Companies Act, 2013) along with the relevant rules made thereunder
Companies Act, 2013	The Companies Act, 2013, to the extent in force pursuant to the notification of sections of the Companies Act, 2013, along with the relevant rules made thereunder
Competition Act	The Competition Act, 2002
Consolidated FDI Policy	The Consolidated FDI Policy (effective from June 7, 2016), issued by the Department of Industrial Policy and Promotion, Ministry of Commerce and Industry, Government of India
CPI	Consumer Price Index
Cr.P.C	The Code of Criminal Procedure, 1973
Depositories	CDSL and NSDL
Depositories Act	The Depositories Act, 1996
Depository Participant or DP	A depository participant as defined under the Depositories Act
DP ID Number	Depository participant identification number
DTA	Deferred Tax Asset
ECB	External Commercial Borrowing
ECS	Electronic clearing service
EGM	Extraordinary general meeting
Eligible FPIs	FPIs that are eligible to participate in this Issue, excluding Category III Foreign Portfolio Investors
EPS	Earnings per share
EU	European Union
FDI	Foreign Direct Investment
FEMA	The Foreign Exchange Management Act, 1999, together with rules and regulations issued thereunder
FEMA 20	The Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000
FIIs	Foreign Institutional Investors as defined under the SEBI FPI Regulations
Financial Year or Fiscal Year or Fiscal	The period of 12 months ended March 31 of that particular year, unless otherwise stated
Form PAS-4	Form PAS-4 as prescribed under the Companies (Prospectus and Allotment of Securities) Rules, 2014
FPIs	Foreign portfolio investors as defined under the SEBI FPI Regulations and includes a person who has been registered under the SEBI FPI Regulations. Any foreign institutional investor or qualified foreign investor who held a valid certificate of registration was deemed to be a foreign portfolio investor till the expiry of the block of three years for which fees had been paid as per the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995
FVCI	Foreign Venture Capital Investors ,as defined under the Securities and Exchange Board of India (Foreign Venture Capital Investors) Regulations, 2000, registered with SEBI
GAAP	Generally Accepted Accounting Principles
GDP	Gross Domestic Product
GDR	Global Depository Receipt

Term	Description
General Meeting	AGM or EGM
GoI or Government	Government of India
GST	Goods and Services Tax
GVA	Gross Value Added
HUF	Hindu Undivided Family
ICAI	Institute of Chartered Accountants of India
IFC	International Finance Corporation
IFRS	International Financial Reporting Standards
Indian GAAP	Indian Generally Accepted Accounting Principles (GAAP) as applicable to the respective entities in accordance with the regulations under which they operate and in relation to our Bank, as applicable to banking companies in India.
Insider Trading Regulations	The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015
IPC	The Indian Penal Code, 1860
IPO	Initial Public Offering
IRDAI	Insurance Regulatory and Development Authority of India
I.T. Act	The Income-tax Act, 1961
MAT	Minimum Alternate Tax
MCA	Ministry of Corporate Affairs, GoI
MoF	Ministry of Finance, GoI
MoU	Memorandum of Understanding
NEFT	National Electronic Fund Transfer
Net Worth	Net worth shall mean the aggregate of the paid-up share capital, share premium account, and reserves and surplus (excluding revaluation reserve) as reduced by the aggregate of miscellaneous expenditure (to the extent not adjusted or written off) and the debit balance of the profit and loss account
NRI	Non-resident Indian, as defined under applicable law
Non-Resident or NR	A person resident outside India, as defined under the FEMA
NSDL	National Securities Depository Limited
NSE	National Stock Exchange of India Limited
OCB or Overseas Corporate Body	A company, partnership, society or other corporate body owned directly or indirectly to the extent of at least 60% by NRIs including overseas trusts in which not less than 60% of the beneficial interest is irrevocably held by NRIs directly or indirectly and which was in existence on October 3, 2003 and immediately before such date was eligible to undertake transactions pursuant to the general permission granted to OCBs under the FEMA. OCBs are not allowed to invest in the Issue
Official Gazette	The official gazette issued by the Government of India, including any state
P.A. or p.a.	Per annum
PAN	Permanent Account Number allotted under the I.T. Act
PMLA	Prevention of Money Laundering Act, 2002
RBI	Reserve Bank of India
RBI Act	The Reserve Bank of India Act, 1934
RoC or Registrar	Registrar of Companies, Kerala at Ernakulam

Term	Description
RoE	Return on Equity
₹, Rs., INR, Rupees	Indian Rupees
RTGS	Real Time Gross Settlement
SBI	State Bank of India
SCRA	The Securities Contracts (Regulation) Act, 1956
SCRR	The Securities Contracts (Regulation) Rules, 1957
SCR (SECC) Regulations	The Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations), Regulations, 2012
SEBI	The Securities and Exchange Board of India established under the SEBI Act
SEBI Act	The Securities and Exchange Board of India Act, 1992
SEBI FPI Regulations	The Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2014
SEBI Listing Regulations	The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015
SEBI ICDR Regulations	The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009
Stock Brokers Regulations	Securities and Exchange Board of India (Stock-Brokers and Sub-Brokers) Regulations, 1992
Takeover Regulations	The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011
U.S.	United States of America
U.S. GAAP	Generally accepted accounting principles in the United States of America
VCF	A venture capital fund as defined under the erstwhile Securities and Exchange Board of India (Venture Capital Funds) Regulations, 1996

Notwithstanding the foregoing, defined terms in the sections entitled "*Statement of Tax Benefits*" and "*Financial Statements*" on pages 194 and 220, respectively, shall have the meaning given to such terms in such sections.

DISCLOSURE REQUIREMENTS UNDER FORM PAS-4 UNDER THE COMPANIES ACT, 2013

The table below sets out the disclosure requirements as provided in Form PAS-4 and the relevant pages in this Placement Document where these disclosures, to the extent applicable, have been provided.

Sr. No.	Disclosure Requirements	Relevant Page of this Placement Document
1.	**GENERAL INFORMATION**	
a.	Name, address, website and other contact details of the company indicating both registered office and corporate office;	Cover Page
b.	Date of incorporation of the company;	Cover Page, 219
c.	Business carried on by the company and its subsidiaries with the details of branches or units, if any;	29 - 32; 124 - 148
d.	Brief particulars of the management of the company;	157 - 159
e.	Names, addresses, DIN and occupations of the directors;	157 - 159
f.	Management's perception of risk factors;	41 – 67
g.	Details of default, if any, including therein the amount involved, duration of default and present status, in repayment of –	216
(i)	statutory dues;	
(ii)	debentures and interest thereon;	
(iii)	deposits and interest thereon;	
(iv)	loan from any bank or financial institution and interest thereon.	
h.	Names, designation, address and phone number, email ID of the nodal/ compliance officer of the company, if any, for the private placement offer process;	223
2.	**PARTICULARS OF THE OFFER**	
a.	Date of passing of board resolution;	33
b.	Date of passing of resolution in the general meeting, authorizing the offer of securities;	33
c.	Kinds of securities offered (i.e. whether share or debenture) and class of security;	33
d.	price at which the security is being offered including the premium, if any, along with justification of the price;	Cover page, 33
e.	name and address of the valuer who performed valuation of the security offered;	Not applicable
f.	Amount which the company intends to raise by way of securities;	Cover page, 33
g.	Terms of raising of securities:	Not applicable
(i)	Duration, if applicable;	
(ii)	Rate of dividend;	
(iii)	Rate of interest;	
(iv)	Mode of payment; and	
(v)	Repayment.	
h.	Proposed time schedule for which the offer letter is valid;	Not applicable
i.	Purposes and objects of the offer;	71
j.	Contribution being made by the promoters or directors either as part of the offer or separately in furtherance of such objects;	71
k.	Principle terms of assets charged as security, if applicable;	Not applicable
3.	**DISCLOSURES WITH REGARD TO INTEREST OF DIRECTORS, LITIGATION ETC.**	

Sr. No.	Disclosure Requirements	Relevant Page of this Placement Document
a.	Any financial or other material interest of the directors, promoters or key managerial personnel in the offer and the effect of such interest in so far as it is different from the interests of other persons.	165
b.	details of any litigation or legal action pending or taken by any Ministry or Department of the Government or a statutory authority against any promoter of the offeree company during the last three years immediately preceding the year of the circulation of the offer letter and any direction issued by such Ministry or Department or statutory authority upon conclusion of such litigation or legal action shall be disclosed	Not Applicable
c.	remuneration of directors (during the current year and last three financial years);	160 – 162
d.	Related party transactions entered during the last three financial years immediately preceding the year of circulation of offer letter including with regard to loans made or, guarantees given or securities provided	165
e.	Summary of reservations or qualifications or adverse remarks of auditors in the last five financial years immediately preceding the year of circulation of offer letter and of their impact on the financial statements and financial position of the company and the corrective steps taken and proposed to be taken by the company for each of the said reservations or qualifications or adverse remark	93
f.	Details of any inquiry, inspections or investigations initiated or conducted under the Companies Act or any previous company law in the last three years immediately preceding the year of circulation of offer letter in the case of company and all of its subsidiaries. Also if there were any prosecutions filed (whether pending or not) fines imposed, compounding of offences in the last three years immediately preceding the year of the offer letter and if so, section-wise details thereof for the company and all of its subsidiaries	216
g.	Details of acts of material frauds committed against the company in the last three years, if any, and if so, the action taken by the company.	213 - 216
4.	**FINANCIAL POSITION OF THE COMPANY**	
a.	the capital structure of the company in the following manner in a tabular form-	73
(i)(a)	the authorised, issued, subscribed and paid up capital (number of securities, description and aggregate nominal value);	
(b)	size of the present offer;	
(c)	paid up capital	
(A)	after the offer;	
(B)	after conversion of convertible instruments (if applicable)	
(d)	share premium account (before and after the offer)	
(ii)	the details of the existing share capital of the issuer company in a tabular form, indicating therein with regard to each allotment, the date of allotment, the number of shares allotted, the face value of the shares allotted, the price and the form of consideration	
	Provided that the issuer company shall also disclose the number and price at which each of the allotments were made in the last one year preceding the date of the offer letter separately indicating the allotments made for considerations other than cash and the details of the consideration in each case;	
b.	Profits of the company, before and after making provision for tax, for the three financial years immediately preceding the date of circulation of offer letter;	36, 39
c.	Dividends declared by the company in respect of the said three financial years; interest coverage ratio for last three years (Cash profit after tax plus interest paid/interest paid)	77
d.	A summary of the financial position of the company as in the three audited balance sheets immediately preceding the date of circulation of offer letter;	35, 38
e.	Audited Cash Flow Statement for the three years immediately preceding the date of	37, 40

Sr. No.	Disclosure Requirements	Relevant Page of this Placement Document
	circulation of offer letter;	
f.	Any change in accounting policies during the last three years and their effect on the profits and the reserves of the company.	99
5.	**A DECLARATION BY THE DIRECTORS THAT -**	
a.	the company has complied with the provisions of the Act and the rules made thereunder;	221
b.	the compliance with the Act and the rules does not imply that payment of dividend or interest or repayment of debentures, if applicable, is guaranteed by the Central Government;	
c.	the monies received under the offer shall be used only for the purposes and objects indicated in the Offer letter;	

SUMMARY OF BUSINESS

Overview

We are a leading private sector bank in India. We were originally incorporated in 1931 as the "Travancore Federal Bank Limited Nedumpram under the Travancore Companies Regulation. On December 2, 1949, the name was changed to The Federal Bank Limited. In 1959, we were licensed under the Banking Regulation Act, 1949, and thereafter we became a scheduled commercial bank under the Second Schedule of Reserve Bank of India Act, 1934.

We offer a wide range of products and services to retail, small and medium scale enterprises ("**SME**") agricultural and corporate customers through a variety of delivery channels. As of March 31, 2017, we had 1,252 bank branches and 1,667 ATMs. Our consolidated balance sheet size has increased from ₹853,418.93 million as of March 31, 2015 to ₹1,154,857.35 million as of March 31, 2017. Our total consolidated deposits have grown from ₹708,226.87 million as of 31 March 2015 to ₹976,620.76 million as of March 31, 2017. Our total consolidated advances have increased from ₹515,291.87 million as on March 31, 2015 to ₹740,862.30 million as on March 31, 2017.

While we were historically focused largely on the state of Kerala, we have expanded our presence throughout India with 1,252 bank branches across India. Our robust practice across India is complemented by our international presence. We are developing our international presence by building a network outside India to cater to the NRI market, with representative offices in Dubai and Abu Dhabi. We have also obtained approval to open a further representative office in Bahrain and a branch in the Dubai International Financial Centre ("**DIFC**"). We have also recently opened an international banking unit in the Gujarat International Finance Tec-City ("**GIFT City**").

We offer banking products and services in the Retail, SME, Agricultural and Corporate and Wholesale banking sectors. Our retail asset products include home loans, personal loans, auto loans, educational loans, mortgage loans, business loans as well as security-backed loans of various types. Our SME portfolio consists primarily of loans and advances to manufacturing and food processing enterprises, educational institutions, healthcare providers, the services sector, traders and professionals. Our loans to the agricultural sector include loans to individual farmers, group of farmers, agriculture businesses and agriculture corporates. For the corporate and wholesale banking sector, we offer various loan and fee-based products and services to large corporations, medium-sized enterprises and certain specified sectors, including the agriculture sector which includes an assortment of banking products and services including working capital, term finance, trade finance, structured financial services, foreign exchange and syndication services.

We offer a number of liability products to our retail customers, including NRIs, such as saving accounts, time deposits and recurring deposits. These products are offered with certain variations as customized products to certain target groups such as senior citizens, students and salaried employees. We also offer other products and services such as debit and credit cards, online bill payment services and cash management services. We market third-party products, such as mutual funds and general and life insurance policies such as the IDBI-Federal Life insurance policy. A wide range of liability and asset products and services are also offered specifically to NRIs.

We also provide a number of digital offerings including the "Fedbook Selfie" application for digital account opening and the 'Lotza' application, which is a unified payment interface application, to take advantage of the increasing availability of internet access and broadband connectivity across India. Our investment into our digital strategy will see the introduction of more products and the enhancement in the security features of our existing products. We believe that our comprehensive suite of secure digital products will enhance our competitiveness.

Our principal business activities are divided into five segments, namely retail banking, SME banking, agricultural banking, corporate and wholesale banking, treasury and other banking operations, with a balanced portfolio mix across these segments, including non-resident Indians ("**NRI**"). As of March 31, 2017, our retail advances accounted for 30.41% of total gross advances, SME advances accounted for 23.57% of total gross advances, agriculture advances accounted for 10.02% of total gross advances and corporate advances accounted for 36.01% of total gross advances.

Strengths

Our key strengths are as follows:

Pan India network with presence in Abu Dhabi and Dubai to complement a strong NRI franchise

As of March 31, 2017, we had 1,252 bank branches and 1,667 ATMs. These branches are distributed across metro, urban, semi urban and rural locations. 600 bank branches are located in the state of Kerala and the remainder are spread across the rest of India. We have been steadily growing our network across India, having added 227 branches and 347 ATM to our network outside of the state of Kerala between April 1, 2012 and March 31, 2016. We have undertaken focused expansion in key states such as Punjab, Haryana, NCR, Maharashtra, Tamil Nadu and Kerala. This expansion has contributed in growing the total standalone advances from ₹512,849.91 million as on 31 March 2015 to ₹733,362.72 million as on March 31, 2017. The investment made by us in expanding the network provides us access to customers across our target segments and allows us to focus on customers in local geographies.

In addition to this physical infrastructure, we believe we have also developed and launched an extensive digital footprint to enable customer acquisition and retention. Further, we also have a network outside India catering to the NRI market, with representative offices in Dubai and Abu Dhabi and tie-ups with 85 exchange houses to assist our customers in remitting money into India. For the nine months ended December 31, 2016, we had a 15.44% market share of all foreign inward remittances made for personal purposes into India. 21 of our officers have been posted to various geographies in the Gulf Cooperation Council ("**GCC**") to serve as single point contacts and relationship managers for our customer base in the GCC. We believe that a relationship manager model is essential in the development of our business where the relationship manager engages with our customers and offers relevant solutions and products to such customers.

We also have a strong NRI franchise, which provides us with a low cost source of funding. Our NRI franchise has contributed to our development in our deposits and current accounts and saving accounts ("**CASA**") ratio. The deposits from NRIs constituted 36.62%, 41.17% and 39.50% of total standalone deposits in the corresponding periods of fiscal 2015, fiscal 2016 and fiscal 2017. The contribution towards the standalone savings accounts from NRIs was 45.40%, 47.60% and 45.27% in fiscal 2015, fiscal 2016 and fiscal 2017 respectively. We attribute the rapid growth in our NRI accounts to our presence in the GCC, where our relationship managers attract new NRI customers to utilise our financial services.

Strong liability profile with a wide spectrum of products

Over the years, we have built a strong base of distributed clientele, which has provided us with a low cost of funding and has been a source of strength for our liability portfolio. The ratio of retail deposits to total standalone deposits in the fiscal years ending March 31, 2015, 2016 and 2017 was 95.3%, 97.9% and 94.1%, respectively. A large part of our deposit base is retail and the lack of bulk deposits provides us with a deposit base with a lower concentration risk, increasing the spread of our liability portfolio. Our total deposits have increased in the last three financial years. Our standalone total deposits in the fiscal years ending March 31, 2015, 2016 and 2017 were ₹708,249.93 million, ₹791,717.07 million and ₹976,645.62 million respectively. Despite not offering higher interest rates for our savings accounts, our CASA ratio increased from 30.43% in fiscal 2015 to 32.47% in fiscal 2016 and 32.60% on fiscal 2017.

We provide a wide spectrum of products to cater to the needs of our customers be it Retail, SME, Agriculture or Corporate. We are able to provide this wide range of products across our branch network. Our diversified product mix is able to cater to retail customers from the urban, semi urban and rural areas. Our strength in serving mid-market clients has contributed to the development of our bank in these locations.

Innovation and Digital focus

We are committed to digital banking and we have upgraded our systems to ensure a smooth integration between our existing infrastructure and our new digital banking products. Our Digital Centre of Excellence is an exclusive division set up to develop digital innovations and technological value-adds. This has resulted in new products such as the mobile passbook (Fedbook), account opening application (Fedbook Selfie), UPI mobile app for payments (Lotza), SMS based transactions and the Be Your Own Master Loans (BYOM – algorithm based, on-line, self-service loans).

We believe "Launchpad" is one of our unique initiatives to support fintech startups. Launchpad offers counselling and guidance on key aspects involved in setting up of a start up like registration, regulatory compliances, investments and accounting, intellectual property protection, trading and taxation.

We continuously strive to increase reliance for transactions on digital channels which are more cost effective than physical channels. In order to enable a smooth transition, we have ensured that our digital banking channels are updated and reliable.

Our suite of digital offerings has won numerous awards in India. These awards include, the Banking Frontier's Finnoviti 2016 Award, the Banking Frontier's Finnoviti 2015 Award, the Skoch Award 2015, IDRBT Award for Digital Banking, Analytics and Big Data amongst mid-sized banks in 2015-16 and other IDRBT Awards relating to technology and digital banking in the years 2010-11, 2011-12, 2012-13, 2014-15 for pioneering steps taken in digital banking.

Well Defined Business Architecture and Robust Credit Management Framework

We continuously revise our business architecture to ensure that it remains current and competitive. We have introduced the relationship manager model where relationship managers work with our customers to understand their needs and offer them the relevant products and services to address such needs. We have also encouraged the specialization of our internal teams to improve their efficiency. We now have specialized teams to handle sourcing and sanctioning, credit administration, recovery, operations, technology, service quality management, and digital products. These initiatives have improved the overall efficiency of the Bank.

We are focused on maintaining a high level of asset quality. Our standalone gross NPAs as a percentage of gross advances stood at 2.04% in fiscal year 2015, 2.84% in fiscal year 2016 and 2.33% as of fiscal year 2017. Our standalone net NPAs as a percentage of net advances stood at 0.73% in fiscal year 2015, 1.64% in fiscal year 2016 and 1.28% as of fiscal year 2017. Our

NPA increase in fiscal year 2016 was due to weak economy conditions, which affected the asset quality of India's banking industry in general. The weak oil prices in fiscal year 2016 also affected our NPAs due to our large customer base in the GCC. Being cognizant of these challenges to our asset quality, we have addressed these issues by strengthening our recovery mechanisms and improving our credit management procedures. Our concerted efforts to identify stressed assets at an early stage have resulted in a reduction in our NPAs in fiscal year 2017.

We are also established in the SME, corporate and wholesale banking industries across India. Our strength lies in our diverse portfolio that generates both interest and non-interest income. We provide diversified solutions to meet the financial and banking needs of our corporate customers, including project loans, term loans, short term loans, cash credit, export credit, bill discounting facilities, letters of credit and guarantees. We also engage in cross-selling multiple products to our clients. We believe that our combination of diverse product offerings and a relationship-driven approach has enabled us to structure solutions to meet our customers' commercial needs, resulting in sustained revenue generation for our bank. Our non-interest income has broadly grown in line with the growth in our total net income and accounted for 26.33%, 23.95% and 25.72% of our total net income for the fiscal years 2015, 2016 and 2017, respectively.

Experienced Board of Directors and management team

Our Board of Directors consists of experienced professionals with significant experience in their respective fields. We believe their experience is instrumental in driving our business successfully through periods of global financial crisis and economic downturn, as well as through periods of volatility in markets and interest rates.

We have a committed senior management team driving our strategy and execution. The senior management team is a blend of home grown executives with some having an experience of over three decades. We believe our team has helmed our growth and risk management strategies, through the worldwide economic crisis, an economic slowdown and volatile interest rate environment in India. We believe our team's focus on executing growth strategies while maintaining profitability, setting measurable targets benchmarked to market leaders and monitoring performance against such targets, anticipating customer demand and adding new products and services, investing in technology and building our brand have contributed to an overall improvement in our key metrics since 2010, including net interest margin, cost to income, net NPAs, return on assets and return on equity, as well as our CASA ratio.

In addition to the Board and the senior management, our employees at various levels of the bank come from ethnically and culturally diverse backgrounds across India. The average age of our employees is less than 37 years. We believe the demographic profile of our employees is another factor that contributes significantly to the growth of our business.

Strategy

The key elements of our strategy are:

Strong, sustainable and high quality growth in advances with low risk

We believe that robust credit risk management policies and controls are critical for long-term, sustainable growth in our business. Our goal is to continually improve our credit risk management procedures, credit evaluation, rating methodology, monitoring and control mechanisms to maintain the quality of our loan and investment portfolios. Further, we intend to continuously focus on maintaining the mix of our loans and advances between the customer segments of corporate, SME and retail. We believe that there is an opportunity for us to selectively acquire loan portfolios from other banks and financial institutions in key market segments to grow our total loan and advances portfolio. We also believe that our regional credit underwriting hubs combined with the technological platform that our network has, will enable us to target customers across the key segments to grow our loan and advances, whilst reducing overall risk.

Continue to strengthen our liability profile

Retail deposits in India are an important source of low-cost funding for us and we believe that the Indian retail financial services market will continue to experience growth. We aim to continue to expand our retail banking business by growing our customer base, providing a convenient banking experience to customers and offering differentiated products and solutions to meet the specific needs of particular customer demographics. We believe these initiatives will help us build a strong liabilities profile, which will expand our pool of low-cost funding. In addition, we seek to leverage our position in the NRI segment by looking to expand our service offerings linked to remittances into India. Our NRI deposits also provide us with a natural cushion against high funding costs and therefore we seek to continuously maintain our market position and also increase our number of NRI customers.

Continue to focus on our home market and gain market share in the rest of India

Apart from developing our home market in Kerala, we have also sought to increase our presence in the rest of India. We believe our strategy has allowed us to reap significant rewards in the 25 states, Delhi NCT and in the four union territories which we operate in. We intend to continue developing our market share in India with the following multi-pronged strategy:

- Focus on maintaining the significant advantage we enjoy in the Kerala sub-market and in relationship with NRI customers. We are the one of the largest private sector banks in the state of Kerala in terms of total number of branches, total deposits and NRI deposits as of December 31, 2016, and for nine months ended December 31, 2016, we had a 15.44% market share of all foreign inward remittances made for personal purposes into India. We aim to continue to maintain this leadership position in the Kerala sub-market and also amongst NRI customers.

- We have an established presence in most centres across the country, and we aim to strengthen this presence in key geographies such as Maharashtra, Gujarat, NCR, Tamil Nadu, Punjab and Karnataka in addition to our home state, Kerala. This expansion would be through a slew of measures including opening new branches selectively in the chosen geographies, increasing digital reach, increasing the strength of local-geography employees in respective states and focussing on fresh customer acquisition and retention.

- We will continuously assess the needs of markets and clients and widen the spectrum of products and offerings continuously while ensuring that our products and offerings satisfy such needs in a competitive manner. We believe we will tap into various retail channels such as home sales, tie-ups for allied products, digital offerings, strategic partnerships and alliances to create more value for our various business segments.

Transformation through technology with continuous investments in digital banking

We believe the increased availability of internet access and broadband connectivity across India calls for a comprehensive digital strategy to proactively develop new methods of reaching our customers and running our businesses. As mentioned earlier, we follow a business philosophy of "Digital at the Fore, Human at the Core". Under this guiding philosophy we seek to provide our customers with a user friendly digital experience that will allow us to increase our customer engagement. For example, we have launched the "Fedbook Selfie" application for digital account opening and "Lotza" application which is a unified payment interface application.

We are continuously investing in technology as a means of improving our customers' experience, offering them a range of products tailored to their financial needs and making it easier for them to interact with us. We have launched internet and mobile based applications across most of our product and service portfolios, and we believe we will continue to invest in creating a superior technology infrastructure to support our digital strategy. We believe additional investments in our technology infrastructure to further develop our digital strategy will allow us to cross-sell a wider range of products on our digital platform in response to our customers' needs and thereby expand our relationship with our customers across a range of customer segments. We believe a comprehensive digital strategy will provide benefits in developing long-term customer relationships by allowing customers to interact with us, access and operate their accounts wherever and whenever they desire.

On the operational side, we believe that investments in internal systems and security technology lead to enhanced customer satisfaction, and therefore enhance our competitiveness. We are also continuing to invest in our cyber security network and privacy protection systems, in order to supplement our growth and increase the robustness of our data security framework. We believe these operational initiatives will also provide us with insights into our customers enabling us to cater to their financial needs in a customised manner.

Building the Federal Brand

We believe that our "Federal" brand is well recognized across the country, especially in the state of Kerala. We intend to develop our brand throughout the other states. In order to achieve this objective, we will execute marketing campaigns using a variety of media vehicles including television, print, radio, and digital mediums. We believe that the key to differentiation is innovation. Hence, we intend to have innovative marketing campaigns to distinguish our brand from our competitors.

SUMMARY OF THE ISSUE

The following is a general summary of the terms of the Issue. This summary should be read in conjunction with, and is qualified in its entirety by, the more detailed information appearing elsewhere in this Placement Document, including the sections entitled "*Risk Factors*", "*Use of Proceeds*", "*Placement*", "*Issue Procedure*" and "*Description of the Equity Shares*" on pages 41, 71, 179, 170 and 192, respectively.

Issuer	The Federal Bank Limited
Face Value	₹2 per Equity Share
Issue Size	Issue of up to 215,517,241 Equity Shares, aggregating up to ₹25,000 million. A minimum of 10% of the Issue Size i.e. up to 21,551,724 Equity Shares shall be available for Allocation to Mutual Funds only, and the balance of up to 193,965,517 Equity Shares shall be available for Allocation to all QIBs, including Mutual Funds. If no Mutual Fund is agreeable to take up the minimum portion mentioned above, such minimum portion or part thereof may be Allotted to other eligible QIBs.
Date of Board Resolution	April 28, 2017
Date of Shareholders' Resolution	June 7, 2017
Floor Price	₹117.04 per Equity Share which has been calculated in accordance with Chapter VIII of the SEBI ICDR Regulations, subject to a discount of not more than five per cent on the Floor Price in terms of Regulation 85 of the SEBI ICDR Regulations and in accordance with our Shareholders' approval pursuant to the resolution dated June 7, 2017
Issue Price	₹116.00 per Equity Share
Eligible Investors	QIBs as defined in regulation 2(1)(zd) of the SEBI ICDR Regulations and not excluded pursuant to Regulation 86 of the SEBI ICDR Regulations to whom the Preliminary Placement Document and the Application Form was circulated and who were eligible to bid and participate in the Issue. For further details, please see the section entitled "*Issue Procedure – Qualified Institutional Buyers*" and "*Transfer Restrictions and Purchaser Representations*" on pages 173 and 186
Equity Shares issued and outstanding immediately prior to the Issue	1,728,120,426 Equity Shares
Equity Shares issued and outstanding immediately after the Issue	Immediately after the Issue, up to 1,943,637,667 Equity Shares will be issued and outstanding
Listing	Our Bank has received in-principle approvals, dated June 21, 2017 from BSE and NSE in terms of Regulation 28(1) of the SEBI Listing Regulations. Our Bank shall apply to the Stock Exchanges for the listing approvals and the final listing and trading approvals, after the Allotment and after the credit of Equity Shares to the beneficiary account with the Depository Participant, respectively
Lock-up	For details in relation to lock-up, please see the section entitled "*Placement – Lock-up*" on page 179 for a description of restrictions on our Bank in relation to Equity Shares
Transferability Restrictions	The Equity Shares being Allotted pursuant to this Issue shall not be sold for a period of one year from the date of Allotment, except on the floor of the Stock Exchanges. For further details, please see the section entitled "*Transfer Restrictions and Purchaser Representations*" on page 186
Use of Proceeds	The gross proceeds from the Issue will be approximately ₹25,000 million. The net proceeds from the Issue, after deducting fees, commissions and expenses of the Issue, will be approximately ₹24,650 million. For details, please see the section entitled "*Use of Proceeds*" on page 71.
Risk Factors	For details, please see the section entitled "*Risk Factors*" on page 41 for a discussion of risks you

	should consider before deciding whether to subscribe for the Equity Shares.
Pay-In Date	The last date specified in the CAN sent to the QIBs for payment of application money.
Closing Date	The Allotment is expected to be made on or about June 29, 2017.
Ranking	The Equity Shares being issued pursuant to the Issue shall be subject to the provisions of the Memorandum of Association and Articles of Association and shall rank *pari passu* in all respects with the existing Equity Shares, including rights in respect of dividends. Our Shareholders will be entitled to participate in dividends and other corporate benefits, if any, declared by our Bank after the Closing Date, in compliance with the Companies Act, 2013, the SEBI Listing Regulations and other applicable laws and regulations. Our Shareholders may attend and vote in shareholders' meetings on the basis of one vote for every Equity Share held. For details, please see the section entitled "*Description of the Equity Shares*" on page 192.
Security Codes for the Equity Shares	ISIN: INE171A01029
	BSE Code: 500469
	NSE Code: FEDERALBNK

SELECTED FINANCIAL INFORMATION

The following selected financial data as of and for the years ended March 31, 2017, March 31, 2016 and March 31, 2015 have been derived from our Standalone Financial Statements and Consolidated Financial Statements included elsewhere in this Placement Document. The financial data set forth below should be read in conjunction with the sections entitled "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" on page 78 and "*Financial Statements*" on page 220, including the schedules and notes thereto, included elsewhere in this Placement Document. Our Standalone Financial Statements and Consolidated Financial Statements were prepared in accordance with Indian GAAP and provisions of Banking Regulation Act, 1949, read with relevant guidelines and directions issued by RBI, the Companies Act read along with rules thereunder. The historical results do not necessarily indicate results expected for any future period.

Indian GAAP differs in certain material respects from US GAAP and IFRS. Neither the information set forth below nor the format in which it is presented should be viewed as comparable to information prepared in accordance with IFRS or other accounting principles.

Standalone Summary Balance Sheet

(₹ in million)

	As at March 31, 2017	As at March 31, 2016	As at March 31, 2015
CAPITAL AND LIABILITIES			
Capital	3,448.09	3,437.89	1,713.31
Reserves and Surplus	85,975.73	77,474.28	75,668.04
Deposits	9,76,645.62	7,91,717.07	7,08,249.93
Borrowings	58,973.23	51,145.66	47,418.41
Other Liabilities and Provisions	24,726.65	22,038.81	19,791.11
Total	**11,49,769.32**	**9,45,813.71**	**8,52,840.80**
ASSETS			
Cash and Balances with Reserve Bank of India	45,765.68	37,745.39	33,795.43
Balances with banks and money at call and short notice	28,756.06	16,452.71	14,004.54
Investments	2,81,960.89	2,51,554.94	2,30,024.17
Advances	7,33,362.72	5,80,901.45	5,12,849.91
Fixed assets	4,894.69	5,199.75	4,666.31
Other assets	55,029.29	53,959.47	57,500.44
Total	**11,49,769.32**	**9,45,813.71**	**8,52,840.80**
Contingent liabilities	2,32,351.37	2,02,535.74	1,72,148.24
Bills for collection	25,683.45	15,168.30	12,216.60

Standalone Profit and Loss Account

(₹ in million)

	Year ended March 31, 2017	Year ended March 31, 2016	Year ended March 31, 2015
I. INCOME			
Interest earned	86,773.84	77,481.59	74,266.44
Other income	10,818.07	8,081.90	8,711.30
Total	**97,591.90**	**85,563.49**	**82,977.74**
II. EXPENDITURE			
Interest expended	56,247.44	52,404.48	50,390.59
Operating expenses	22,095.34	18,921.20	16,309.33
Provisions and contingencies	10,941.25	9,481.33	6,220.31
Total	**89,284.02**	**80,807.01**	**72,920.23**
III. PROFIT/LOSS			
Net profit for the year	**8,307.88**	**4,756.48**	**10,057.51**
Profit brought forward from Previous Year	10,569.81	10,923.68	7,873.60
	18,877.70	**15,680.16**	**17,931.11**
IV. APPROPRIATIONS			
Transfer to Revenue Reserve	1,314.29	454.01	1,098.71
Transfer to Statutory Reserve	2,076.97	1,189.12	2,516.65
Transfer to Capital Reserve	658.46	63.37	287.56
Transfer to/(from) Investment Reserve Account	(144.93)	(82.12)	462.77
Transfer to Special Reserve	460.00	320.00	350.00
Dividend (including tax/cess thereon) pertaining to previous year paid during the year	0.24	1.51	0.21
Proposed dividend	-	1,203.29	1,884.64
Tax on proposed dividend	-	245.28	383.70
Transfer to Share capital pursuant to issue of Bonus shares	-	1,715.89	-
Depreciation on Expired assets	-	-	23.19
Balance carried over to Balance Sheet	14,512.67	10,569.81	10,923.68
Total	18,877.70	15,680.16	17,931.11
Earnings per Share (Face value of ₹2/- each)			
Basic (in ₹)	4.83	2.77	5.87
Diluted(in ₹)	4.76	2.75	5.82

Standalone Summary Cash Flow Statement

(₹ in million)

	Year ended March 31, 2017	Year ended March 31, 2016	Year ended March 31, 2015
Cash Flow from Operating Activities			
Net Profit before taxes	13,064.98	7,196.48	15,210.41
Adjustments for:			
Depreciation on Bank's Property	1,221.73	1,054.47	745.95
Depreciation on Investments	242.01	167.43	(934.73)
Amortisation of Premium on Held to Maturity Investments	476.53	353.41	321.11
Provision for Non Performing Investments	53.50	634.19	128.60
Provision / Charge for Non-Performing Assets	4,051.25	5,553.17	2,043.46
Provision on Standard Assets	785.00	295.00	541.00
Withdrawal from floating provision for standard asset	-	-	(127.50)
(Profit)/Loss on sale of fixed assets (net)	(0.96)	3.41	(2.43)
Provision for Restructured assets	67.56	(208.60)	(552.30)
Provision for Other Contingencies	984.83	600.13	(31.12)
	20,946.43	**15,649.09**	**17,342.45**
Adjustments for working capital changes:-			
(Increase)/ Decrease in Investments *(excluding Held to Maturity Investments)*	(8,264.66)	(44,185.99)	13,367.86
(Increase)/ Decrease in Advances	(1,56,512.51)	(73,604.71)	(80,532.34)
(Increase)/ Decrease in Other Assets	(1,811.78)	1,083.01	(3,151.99)
Increase/ (Decrease) in Deposits	1,84,928.55	83,467.14	1,10,937.11
Increase/ (Decrease) in Other liabilities and provisions	2,299.01	2,775.90	(287.66)
Direct taxes paid	(4,015.14)	(377.01)	(6,038.66)
Net Cash Flow from / (Used in) Operating Activities	**37,569.90**	**(15,192.55)**	**51,636.76**
Cash Flow from Investing Activities			
Purchase of Fixed Assets	(940.00)	(1,602.53)	(1,207.82)
Proceeds from Sale of Fixed Assets	24.29	11.22	12.40
(Increase)/ Decrease in Held to Maturity Investments	(22,913.32)	21,500.19	(9,014.31)
Net Cash generated / (Used in) Investing Activities	**(23,829.03)**	**19,908.88**	**(10,209.73)**
Cash Flow from Financing Activities			
Proceeds from Issue of Share Capital (ESOS)	10.20	8.69	2.69
Proceeds from Share Premium	198.17	215.63	107.00
Repayment of Subordinate Debt	(2,000.00)	-	(300.00)
Increase/(Decrease) in Borrowings (Excluding Subordinate Debt)	9,827.57	3,727.26	(36,929.17)
Dividend Paid (Including Tax on Dividend)	(1,448.80)	(2,269.85)	(1,801.38)
Net Cash generated from financing Activities	**6,587.13**	**1,681.72**	**(38,920.86)**
Effect of exchange fluctuation on translation reserve	**(4.36)**	**0.09**	**-**
Net Increase in Cash and Cash Equivalents	**20,323.64**	**6,398.13**	**2,506.18**
Cash and Cash Equivalents at the beginning of year	**54,198.10**	**47,799.96**	**45,293.79**
Cash and Cash Equivalents at the end of year	**74,521.74**	**54,198.10**	**47,799.96**

Consolidated Balance Sheet

(₹ in million)

	As at March 31, 2017	As at March 31, 2016	As at March 31, 2015
CAPITAL AND LIABILITIES			
Capital	3,448.09	3,437.89	1,713.31
Reserves and Surplus	86,065.61	77,203.36	75,289.42
Deposits	9,76,620.76	7,91,709.00	7,08,226.88
Borrowings	63,454.93	52,363.17	48,265.80
Other Liabilities and Provisions	25,267.98	22,343.90	19,923.52
Total	**11,54,857.35**	**9,47,057.32**	**8,53,418.93**
ASSETS			
Cash and Balances with Reserve Bank of India	45,782.69	37,769.59	33,819.84
Balances with banks and money at call and short notice	28,763.72	16,461.84	14,024.60
Investments	2,79,122.59	2,49,204.69	2,27,830.36
Advances	7,40,862.30	5,84,197.74	5,15,291.87
Fixed assets	4,923.44	5,236.39	4,726.84
Other assets	55,402.62	54,187.07	57,725.41
Total	**11,54,857.35**	**9,47,057.32**	**8,53,418.93**
Contingent liabilities	2,32,356.85	2,02,541.22	1,72,151.46
Bills for collection	25,683.45	15,168.30	12,216.60

Consolidated Profit and Loss Account

(₹ in million)

	Year ended March 31, 2017	Year ended March 31, 2016	Year ended March 31, 2015
I. INCOME			
Interest earned	87,832.72	78,262.76	74,949.49
Other income	10,837.71	8,083.58	8,713.66
Total	**98,670.44**	**86,346.34**	**83,663.15**
II. EXPENDITURE			
Interest expended	56,525.79	52,593.52	50,563.30
Operating expenses	22,525.01	19,315.97	16,752.09
Provisions and contingencies	11,086.45	9,557.83	6,226.84
Total	**90,137.26**	**81,467.32**	**73,542.23**
III. NET PROFIT FOR THE YEAR	**8,533.18**	**4,879.02**	**10,120.92**
Share in Profit/ (Loss) of Associate	135.49	(14.84)	457.22
IV. CONSOLIDATED NET PROFIT ATTRIBUTABLE TO GROUP	**8,668.67**	**4,864.19**	**10,578.14**
Balance in Profit and Loss Account brought forward from previous year	10,224.03	10,494.69	6,936.66
V. AMOUNT AVAILABLE FOR APPROPRIATION	**18,892.70**	**15,358.87**	**17,514.80**
VI. APPROPRIATIONS			
Transfer to Revenue Reserve	1,314.29	454.01	1,098.71
Transfer to Statutory Reserve	2,076.97	1,189.12	2,516.65
Transfer to Capital Reserve	658.46	63.37	287.56
Transfer to/(from) Investment Reserve Account	(144.93)	(82.12)	462.77
Transfer to Special Reserve	460.00	320.00	350.00
Transfer to Reserve under Sec 45 IC of RBI Act	45.06	24.51	12.68
Dividend (including tax/cess thereon) pertaining to previous year paid during the year	0.24	1.51	0.21
Proposed dividend	-	1,203.29	1,884.64
Tax on proposed dividend	-	245.27	383.70
Transfer to Share capital pursuant to issue of Bonus shares	-	1,715.89	-
Depreciation on Expired assets	-	-	23.19
Balance carried over to Consolidated Balance Sheet	14,482.61	10,224.02	10,494.69
Total	**18,892.70**	**15,358.87**	**17,514.80**
Earnings per Share (Face value of ₹2/- each)			
Basic (₹)	5.04	2.83	6.17
Diluted (₹)	4.96	2.82	6.12

Consolidated Cash Flow Statement

(₹ in million)

	Year ended March 31, 2017	Year ended March 31, 2016	Year ended March 31, 2015
Cash Flow from Operating Activities			
Net Profit before taxes	13,555.25	7,370.26	15,752.95
Adjustments for:			
Depreciation on Bank's Property	1,239.13	1,081.72	794.89
Depreciation on Investments	242.01	167.43	(934.73)
Amortisation of Premium on Held to Maturity Investments	476.53	353.41	321.11
Provision for Non Performing Investments	53.50	634.19	128.60
Provision / Charge for Non-Performing Assets	4,051.63	5,555.17	2,039.41
Provision on Standard Assets	800.35	302.34	543.42
Withdrawal from floating provision for standard asset	-	-	(127.50)
(Profit)/ Loss on sale of fixed assets (net)	(0.88)	4.49	3.53
(Income) / Loss From Associate	(135.49)	14.84	(457.22)
Provision for Restructured assets	67.56	(208.60)	(552.30)
Provision for Other Contingencies	984.83	601.22	(44.87)
	21,334.41	**15,876.48**	**17,467.29**
Adjustments for working capital changes:-			
(Increase)/ Decrease in Investments	(7,641.12)	(44,044.39)	13,226.26
(Increase)/ Decrease in Advances	(1,60,716.18)	(74,461.05)	(80,293.18)
(Increase)/ Decrease in Other Assets	(1,964.22)	1,069.38	(2,914.68)
Increase/ (Decrease) in Deposits	1,84,911.76	83,482.12	1,10,936.49
Increase/ (Decrease) in Other liabilities and provisions	2,519.90	2,940.16	(776.30)
Direct taxes paid	(4,137.90)	(432.06)	(6,063.20)
Net Cash Flow from / (Used in) Operating Activities	**34,306.64**	**(15,569.36)**	**51,582.69**
Cash Flow from Investing Activities			
Purchase of Fixed Assets	(950.25)	(1,610.87)	(1,211.41)
Proceeds from Sale of Fixed Assets	24.95	15.10	14.94
(Increase)/ Decrease in Held to Maturity Investments	(22,913.32)	21,500.19	(9,014.31)
Net Cash generated / (Used in) Investing Activities	**(23,838.62)**	**19,904.42**	**(10,210.78)**
Cash Flow from Financing Activities			
Proceeds from Issue of Share Capital	10.20	8.69	2.69
Proceeds from Share Premium	198.17	215.63	107.00
Repayment of Subordinate Debt	(2,000.00)	-	(300.00)
Increase/(Decrease) in Borrowings (Excluding Subordinate Debt)	13,091.76	4,097.37	(36,877.56)
Dividend Paid (Including Tax on Dividend)	(1,448.81)	(2,269.85)	(1,801.38)
Net Cash generated from financing Activities	**9,851.32**	**2,051.83**	**(38,869.25)**
Effect of exchange fluctuation on translation reserve	**(4.36)**	**0.09**	**-**
Increase/(Decrease) in Cash & Cash Equivalents	**20,314.98**	**6,386.99**	**2,502.66**
Cash and Cash Equivalents at the beginning of year	**54,231.43**	**47,844.44**	**45,341.79**
Cash and Cash Equivalents at the end of year	**74,546.41**	**54,231.43**	**47,844.44**

RISK FACTORS

An investment in equity shares involves a high degree of risk. You should carefully consider each of the following risk factors and all other information set forth in this document, including the risks and uncertainties described below, before making an investment in the equity shares. You should read this section together with "Industry Overview", "Business", "Selected Financial Information", "Selected Statistical Information", "Regulatory Overview" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" as well as the financial statements, including the notes thereto, and other financial information included elsewhere in this Placement Document. You should consult your tax, financial and legal advisors about the particular consequences to you of an investment in the equity shares.

The risks and uncertainties described below are not the only risks that we currently face. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may also materially adversely affect our business, prospects, financial condition and results of operations and cashflows. If any or some combination of the following risks, or other risks that we do not currently know about or believe to be material, actually occur, our business, financial condition and results of operations and cashflows could suffer, the trading price of, and the value of your investment in, our equity shares could decline, and you may lose all or part of your investment. In making an investment decision, you must rely on your own examination of us and the terms of this Issue, including the merits and risks involved.

This Placement Document also contains forward-looking statements that involve risks and uncertainties. Our results could differ materially from such forward-looking statements as a result of certain factors, including the considerations described below and elsewhere in this document.

Risks Relating to our Business

A substantial portion of our Bank's branches are located in the state of Kerala, making us vulnerable to risks associated with having geographically concentrated operations.

A substantial portion of our Bank's branches, and consequently deposits and advances, are located in Kerala or from customers in Kerala. As of March 31, 2017, 47.92% of our Bank's branches were located in the state of Kerala, and 35.43% of our total advances were given by branches located in Kerala. Though the entire branch network of our Subsidiary is situated outside the state of Kerala, their branch network is less than 10% of total branches of the Bank.

Because of this concentration in Kerala, the success and profitability of our operations may be disproportionately exposed to regional factors. These factors include, among others: (i) the growth in population, income levels, and deposits in Kerala, (ii) the continued attraction of business ventures to Kerala, (iii) general economic conditions in Kerala, (iv) laws and regulations in Kerala, (v) increased competition in Kerala, and (vi) other developments including political unrest, depreciation of goods, floods and other natural calamities. Adverse developments in any of the above factors would affect us more than they might affect banks with greater geographic diversity. Any one of these events may require us to close branches, temporarily shut down operations, or lower lending levels, and may result in a material adverse change in our business, financial condition, results of operations and cash flows.

We are exposed to borrower and industry concentrations, and a default by any large borrower, a deterioration in the performance of any of the industry sectors in which we have significant exposure would adversely affect the quality of our portfolio, and our ability to meet capital requirements could be jeopardized.

As of March 31, 2017, aggregate advances (both funded and non-funded) to our Bank's ten largest borrowers amounted to ₹72,620.73 million representing 81.09% of our Bank's total Tier I and Tier II capital. Some of our largest borrowers are large corporates with highly leveraged balance sheets and any default by them would have significant impact on profitability. Our Bank's aggregate advances (funded and non-funded) to its single largest borrower as of March 31, 2017 amounted to ₹14,000 million, representing 15.63% of its Tier I and Tier II capital. If any of them were to become non-performing, our net profits would decline and, due to the magnitude of the exposures, our ability to meet capital requirements could be jeopardised.

As of March 31, 2017, our Bank's largest industry concentration based on outstanding advances included (among others) 4.89% in infrastructure (including 0.92% in energy), 2.07% in basic metal and metal products (including 1.57% in iron and steel), 1.18% in textiles and 1.06% in chemicals and chemical products. As of March 31, 2017, our total NPAs in these top industries were 19.23% in basic metal and metal products (being ₹2,942.84 million), 10.60% in textiles (being ₹926.37 million), 2.35% in infrastructure (being ₹850.53 million) and 0.58% in chemicals and chemical products (being ₹45.54 million) and the gross NPA of the Bank amounted to ₹17,270.53 million.

Industry specific difficulties in these or other sectors may increase our level of non-performing customer assets. As of March 31, 2017, total advances to priority sector amounted to ₹205,436.79 million, of which ₹97,463.96 million was for agricultural purposes. The government may waive off agricultural loans which may influence future repayment of existing loans and increase our non-performing assets in our agriculture portfolio. If we experience a downturn in an in which we have concentrated exposure, our net profits will likely decline significantly and our financial condition may be materially adversely affected.

A decline in NRI deposits or loan repayments could have a material adverse effect on our business, financial condition, results of operations, and prospects.

We generate a significant portion of our funding from NRIs, both in the form of deposits as well as loan repayments. As of March 31, 2017, 39.50% of our total deposits were from NRIs. In addition, we also lend to NRIs based on their income abroad. Our NRI loans include NRI home loans and NRI loans against property, amongst others and such loans expose us to various global economic factors. If we are unable to continue attracting deposits or loan repayments from NRIs or their family members, it could have a material adverse effect on our business, financial condition, results of operations, and prospects.

An increase in our portfolio of non-performing assets may materially and adversely affect our business and results of operations.

Our management of credit risk involves having appropriate credit policies, underwriting standards, approval processes, loan portfolio monitoring, collection and remedial management and an overall architecture for managing credit risk. If the credit quality of our creditors, the growth of our loan portfolio or our provisioning levels deteriorate due to various factors, this could have a material adverse effect on our business, results of operations, financial condition and prospects. Although we have credit monitoring and risk mitigation policies and procedures in place, these policies and procedures may not be accurate, properly designed, or appropriately implemented, and we could suffer material credit losses. For example, if the value of the collateral securing our credit portfolio is insufficient (including through a decline in its value after the original taking of such collateral) or if we face practical or legal impediments in enforcing collateral, then we will be exposed to greater credit risk and an increased risk of non-recovery if related credit exposures fail to perform. In addition, even if our policies and procedures are accurate and appropriate, we may not be able to anticipate future economic or financial developments or downturns, which could lead to an increase in our NPAs.

Due to the Government of India's demonetization policy, the RBI allowed banks to defer the downgrading of an account (across certain loans) that was standard on November 1, 2016 and would have become sub-standard assets for dues payable during the period from November 1, 2016 to December 31, 2016 by 60 or 90 days, depending on the kind of loan. The Bank was able to defer the downgrade of eligible accounts as a result of this dispensation beyond March 31, 2017. The downgrade of such accounts based on their overdue position would happen for the first time in our financial statements as of June 30, 2017 (which may result in a material increase in our NPAs reported as of June 30, 2017). Furthermore, our NPA increase in fiscal 2016 was due to weak economic conditions, which affected the asset quality of India's banking industry in general. The weak oil prices in fiscal 2016 also affected our NPAs due to our large customer base in the Gulf Cooperation Council ("**GCC**"). An increase in NPAs due to this or other reasons might require us to increase our provisions, which could materially adversely affect our net profits and financial position.

Provisions for NPAs are created by a charge to our profit and loss account and are currently subject to minimum provision requirements, linked to aging of NPAs. In addition to the relevant regulatory minimum provision, we also consider our internal estimate for loan losses and risks inherent in the credit portfolio when deciding on the appropriate level of provisions. The determination of an appropriate level of loan losses and provisions involves a degree of subjectivity and requires that we make estimates of current credit risks and future trends, all of which may be subject to material changes. Any incorrect estimation of risks may result in our provisions not being adequate to cover any further increase in the amount of NPAs or any further deterioration in our NPA portfolio.

The following table sets forth the classification of our Bank's gross loan assets as at the dates indicated.

(₹ in millions)

	As of March 31,		
	2015	**2016**	**2017**
Standard Assets	508,936.40	571,228.70	723,636.74
Restructured standard assets	26,047.67	13,820.34	12,823.60
Non-performing assets	10,577.32	16,677.67	17,270.53
Sub-standard assets	4,890.08	7,412.23	6,186.82
Doubtful assets	4,797.25	8,028.07	9,613.38
Loss assets	889.99	1,237.37	1,470.33

The Indian banking industry currently faces asset quality and capitalisation problems. The strategic debt restructuring ("**SDR**") initiative, allowed creditors to convert whole or part of their debt into equity and take over the management of defaulting companies. In terms of the SDR initiative, the existing asset classification of the account, as on the date when the joint lenders agree to undertake SDR, will continue for a period of 18 months from such date assuming this 'stand-still' in asset classification had not been given. After the expiry of such stand-still period, the asset will be classified in accordance with the norms prescribed by the RBI. As a result, unless these cases are resolved within the time frame prescribed, we may have to reclassify certain assets from standard to NPA.

In February 2014, the RBI issued a circular on revitalizing stressed assets in the economy by selling assets to securitization or reconstruction companies. To incentivize banks to recover appropriate value in respect of their NPAs promptly, the RBI allowed banks to reverse the excess provision on sale of NPAs if the sale was for a value higher than the net book value to the profit and loss account in the year the amounts were received. Further, as an incentive for early sale of NPAs, banks were allowed to spread over any shortfall due to sale value being lower than the net book value over a period of two years for NPAs sold until March 31, 2016. During the fiscal year ended March 31, 2016, the Bank had assigned certain NPAs to asset reconstruction companies and charged an amount of ₹354.10 million and ₹867.30 million to the profit and loss account for the year ended March 31, 2016 and March 31, 2017, respectively. Although no unamortised balance was carried forward as on March 31, 2017, any such sale of NPAs during the current or future financial years will have an impact on our profits. See 'emphasis of matter' included in the auditors' report on standalone and consolidated financials for financial year ended March 31, 2016 in the section titled, "Financial Statements" on page 220.

A number of factors outside of our control affect our ability to control and reduce NPAs. These factors include developments in the Indian and global economy, domestic or global turmoil, competition, changes in interest rates and exchange rates and changes in regulations, including with respect to regulations requiring us to lend to certain sectors identified by the RBI, or the Government of India. These factors, coupled with other factors such as volatility in commodity markets, decrease in agriculture productivity and declining business and consumer confidence and decreases in business and consumer spending, could impact the operations of our customers and in turn impact their ability to fulfil their obligations under the loans we extended to them. In addition, the expansion of our business may cause our NPAs to increase and the overall quality of our loan portfolio to deteriorate. If our NPAs increase, we will be required to increase our provisions, which would result in our net profit being less than it otherwise would be and could materially adversely affect our financial condition and results of operations.

A decline in collateral values or an inability on our part to enforce collateral value may materially adversely affect the value of our loan portfolio and/or increase our write-offs for credit and other losses.

The recoverability and/or value of assets that have been pledged to us as collateral could decline as a result of a deterioration in global and regional economic conditions or of asset values, or as a result of adverse changes in the credit quality of our borrowers and counterparties. Among other factors, we consider a mix of cash flow and availability of collateral when making lending decisions. Many of our loans are secured by collateral, which consists of liens on inventory, receivables and other current assets, and charges on fixed assets, such as property, movable assets (such as vehicles) and financial assets (such as marketable securities). In the event of a decline in any of these sectors, some of our loans may exceed the value of their underlying collateral. Changes in asset prices may cause the value of our collateral to decline.

The decline of particular asset classes such as gold and real estate might affect our portfolios. We provide loans against gold and we also have indirect exposure to gold where we lend to NBFCs who lend against gold, where a decline in gold prices might affect our portfolio. Further, a significant share of collateral we hold as security is in real estate and land and buildings. We have in the past faced instances where we disbursed loans against gold prior to getting the gold valued, and also where gold accepted by us as collateral turned out to be specious. A decline in the value of collaterals including real estate and fluctuating gold prices might also affect our portfolio and materially and adversely affect our business, financial condition and results of operations.

As per the Prudential Norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances, the Bank's exposure is considered as secured if the realisable value of the security is more than 10% of the outstanding exposure, and all unsecured exposures attract an additional provision of 10% on the outstanding balance. As of March 31, 2017, 83.9% of our Bank's loans were secured as per the RBI guidelines. We may not be able to realise the full value of the collateral, due to, among other things, stock market volatility, changes in economic policies of the Indian government, obstacles and delays in legal proceedings, borrowers and guarantors not being traceable, our records of borrowers' and guarantors addresses being ambiguous or outdated, defects in the perfection of collateral, and fraudulent transfers by borrowers. In the event that a specialised regulatory agency gains jurisdiction over the borrower, creditor actions can be further delayed. In addition, the RBI's guidelines on corporate debt restructuring specify that for debt amounts of ₹100 million and above, 60% of the creditors by number and 75% of creditors by value can decide to restructure the debt and that such a decision would be binding on the remaining creditors. If we own 25% or less of the debt of a borrower, we could be forced to agree to an extended restructuring of debt which may not be in our interests. Further, the value of collateral may be less than we expect or may decline. The fluctuations in the prices of gold and real estate may impact our recovery amount during the enforcement of security resulting in write-offs in our loan amount. Any decline in the value of the collateral securing our loans, any inability to obtain additional collateral or our inability to realize the value of collateral may require us to increase our write-offs for credit and other losses. In such a scenario, our losses will increase and our net profits will decline.

We are subject to macro-economic developments and other market factors, and our results of operations may fluctuate or decline from period to period.

Our business is subject to a number of macro-economic factors that are outside of our control, and can lead to business and financial losses in the future, including growth in GDP, inflation, fiscal deficits, disposable household income in India, international and domestic political and economic conditions, fiscal and monetary policies of governments and central banks, and changes in interest rates. As a result of (i) the volatility of these macro-economic factors, including exchange rates and interest rates, (ii) provisions we make from period to period for non-performing assets, commitments and contingencies (such as for letters of credit and bank guarantees), (iii) volatility in our trading operations, our results of operations have varied from period to period in the past and may fluctuate or decrease in the future due to these and other factors. Such fluctuations may also adversely affect our liquidity. These factors may also make period-to-period comparisons of our operating results less meaningful than they would be for a business that is not as significantly affected by such factors. Any adverse development in India or global macro economic conditions could have a material adverse affect on our business, financial condition, results of operations or prospects.

Our primary source of funding is short-term and medium-term deposits, and we may not be able to secure longer-term funding for our operations when we need it or at a competitive cost. Any pre-payment risk or downgrade in our Bank's or India's credit ratings would also have a material adverse effect on our business, financial condition and cash flow.

We meet most of our funding requirements through short-term and medium-term funding sources, primarily in the form of customer deposits. A portion of our assets have long-term maturities, which sometimes cause funding mismatches. As of March 31, 2017, 67.72% of our Bank's term deposits had a maturity of up to 12 months and 24.54% of the term deposits had a maturity of over 12 to 36 months and 7.74% of term deposits had a residual maturity of more than 36 months whereas 43.15% of the non-revolving loans had a maturity of up to than 12 months and 25.57% of the non-revolving loans had a maturity of over 12 to 36 months while 31.28% of the non revolving loans had a residual maturity of more than 36 months. The proportions given above are based on contractual residual maturity, without considering the historical roll over or premature withdrawal pattern of deposits, preclosure of loans and advances and delay in repayment of loans. In the past, a substantial portion of our customer term deposits has been rolled over upon maturity and has been a stable source of funding. However, if a substantial number of our depositors do not roll over term deposits upon maturity, our liquidity position will be adversely affected. Though retail deposits constitute a huge portion of our deposit base, we also accept high value deposits depending on the funding requirements. Further, we face a concentration within retail deposits, in terms of funding from Non Resident Indians and deposits from the state of Kerala. Any sudden or large withdrawal of such deposits due to any geography specific issues may impact our liquidity position.

See "*Risk Factors - A substantial portion of our branches are located Kerala, making us vulnerable to risks associated with having geographically concentrated operations"* and *"Risk Factors - A decline in NRI deposits could have a material adverse effect on our business, financial condition, results of operations, and prospects.*"

As a result, we may be required to seek more expensive sources of funding to finance our operations, which would result in a decline in our net profits and have a material adverse effect on our business, financial condition, results of operations and prospects.

In addition to short and medium-term customer deposits, our other sources of funding are primarily market borrowings such as certificate of deposits, interbank term deposits, repos, collateralized borrowing and lending obligation borrowings and refinances. Failure to obtain these sources of funding or replace them with other deposits or borrowings at competitive rates may materially and adversely affect our business, financial condition and results of operations.

Our cost of funds is sensitive to interest rate fluctuations, which exposes us to the risk of reduction in spreads (which is the difference between the returns that we earn on our advances and investments and the amounts that we must pay to fund them) on account of changing interest rates. See "*Risk Factors - We are subject to macro-economic developments and other market factors, and our results of operations may fluctuate or decline from period to period.*" We also face pre-payment risk on our loans, which may result in losing future interest and reduced cash flow if we are unable to re-invest the proceeds at similar interest rates. For certain products, we may not be able to collect prepayment charges. We are also not permitted by the extant regulatory guidelines to charge foreclosure charges or prepayment penalties on all floating-rate term loans to individual borrowers.

The pricing on our issuances of debt will also be negatively impacted by any downgrade or potential downgrade in our credit ratings. This would increase our financing costs, and adversely affect our future issuances of debt and our ability to raise new capital on a competitive basis.

Similarly, any adverse revisions to India’s credit ratings for domestic and international debt by international rating agencies may have a similar effect on our ability to raise additional financing and the terms at which such financing is available. This could have an adverse effect on our business, profitability and the ability to fund our growth. In addition, attracting customer deposits in the Indian market is competitive. If we fail to sustain or achieve the growth rate of our deposit base, our business may be adversely affected. The rates that we must pay to attract deposits are determined by numerous factors, such as the prevailing interest rate structure, competitive landscape, Indian monetary policy and inflation. For example, in October 2011, the Reserve Bank of India ("**RBI**") deregulated interest rates on savings bank deposits, which resulted in certain banks increasing their interest rates, leading to increased competition in this area. In the event that our spreads decrease, it may have a material adverse effect on our business, financial condition, results and cash flow.

There can be no assurance that we will be able to access capital as and when we need it for growth.

Unless we are able to access the necessary amounts of additional capital, any incremental capital requirement may adversely impact our ability to grow our business and may even require us to curtail or withdraw from some of our current business operations. There can also be no assurance that we will be able to raise adequate additional capital in the future on terms favorable to us, or at all, and this may hamper our growth plans, apart from those that can be funded by internal accruals.

There can be no assurances that we will be able to leverage our customer base in the GCC and any volatility in the GCC could negatively affect our business.

We are exposed to economic and political conditions in certain countries in the GCC, such countries have experienced heightened levels of political and economical instability, civil unrest and violence in recent years, including diplomatic issues in certain countries in the GCC. There can be no assurance that such political instability in the GCC will not escalate in the future and that political instability will not spread to additional countries in the GCC, that further violent activities will not occur or that the governments of the GCC will be successful in maintaining domestic order and stability. Such uncertainty and unrest may affect our plans for leveraging our customer base in the GCC.

Emerging markets such as the GCC are subject to rapid change and that the information set forth in this Placement Document may become outdated relatively quickly. Specific country and regional risks that may have a material impact on the Bank's business, operating results, cash flows and financial condition include:

- political and economic instability;
- loss due to civil strife or acts of war;
- geopolitical regional conflicts;
- overall market liquidity;
- government interventions and protectionism;
- potential adverse changes in laws and regulatory practices, including legal structures and tax laws;
- difficulties in staffing and managing operations;
- legal systems which could make it difficult for the Bank to enforce its intellectual property and contractual rights;
- restrictions on the right to convert or repatriate currency or export assets;
- greater risk of uncollectible accounts and longer collection cycles;
- currency fluctuations;
- logistical and communications challenges; and
- changes in labour conditions.

If the above mentioned events were to materialize, it might, in turn, have a material adverse effect on the Bank's business, operating results, cash flows and financial condition.

Our business is particularly vulnerable to interest rate risk, and volatility in interest rates could materially adversely affect our net interest margin and our financial performance.

Our results of operations depend to a large extent on the level of our net interest earned as our primary revenue source is interest earned. Net interest earned is the difference between the total interest earned that we receive on our interest-bearing assets and the total interest expense that we pay on our interest-bearing liabilities. The differential between the interest rates that we charge on interest-earning assets and the interest rates that we pay on interest-bearing liabilities, and the volume of such assets and liabilities, tend to have a significant impact on our results of operations. During fiscal year 2017, 2016 and 2015, interest earned represented 89.02%, 90.64% and 89.58% of our total income (interest earned plus other income) on a consolidated basis. Our loan to deposit ratio as of March 31, 2017, 2016 and 2015 was 75.86%, 73.79% and 72.76%, respectively. Changes in market interest rates affect the interest rates we charge on our interest-earning assets differently from the interest rates we pay on our interest-bearing liabilities and also affect the value of our investments. An increase in interest rates could result in an increase in interest expense relative to interest earned if we are not able to increase the rates charged on our loans and advances or if the volume of our interest-bearing liabilities is larger or growing faster than the volume of our interest-earning assets. The differences between repricing maturities of rate sensitive liabilities and rate sensitive assets, called repricing gaps, exposes our business to interest rate risk. Our business is also exposed to interest rate risk in the form of non-uniform movement in different interest rate benchmarks that are used for pricing of our assets and liabilities. As the repricing maturities of our liabilities and assets are spread over different time periods, we are exposed to interest rate risk in the form of non-parallel movement in yield curves. Such scenarios would lead to a reduction in our net interest earned and net interest margin. Exposure of our business to interest rate risks as mentioned above would also impact on the long term economic value of our equity. Further, any inability to competitively price our loans and credit substitutes could negatively affect our targeted volume growth, which could materially adversely affect our net profits. The quantum of the changes in interest rates for our assets and liabilities may also be different, leading to a decrease in the interest margin. The Bank charges an interest rate to our borrowers pegged to the MCLR which has been effective since April 1, 2016. In determining the interest rates to be charged to our borrowers, we consider the type of exposure, credit rating and the tenor of the loan. The Bank has, at times, priced certain loans lower than the MCLR by linking them to external benchmarks due to market competition, and we have also charged different interest rates to borrowers operating in the same sectors. As a result of these factors, fluctuations in interest rates could materially and adversely affect our net interest margin and our results of operations.

We operate a defined benefit pension scheme in respect of certain eligible employees. The investments of the superannuation funds are made in government securities, financial institutitons and other financial products. If interest rates were to fall, our liabilities under the pension plan will increase, which would impact our profits and financial performance.

Moreover, changes in interest rates could affect our fixed income portfolio and treasury income.

Any failure or material weakness of our internal control system could cause significant operational errors, which would materially and adversely affect our profitability and reputation.

We are responsible for establishing and maintaining adequate internal measures commensurate with our size and complexity of our operations. Our internal or concurrent audit functions are equipped to make an independent and objective evaluation of the adequacy and effectiveness of internal controls on an ongoing basis to ensure that business units adhere to our policies, compliance requirements and internal circular guidelines. While we periodically test and update, as necessary, our internal control systems, we are exposed to operational risks arising from the potential inadequacy or failure of internal processes or systems, and our actions may not be sufficient to guarantee effective internal controls in all circumstances. Given our high volume of transactions, it is possible that errors may repeat or compound before they are discovered and rectified. Our management information systems and internal control procedures that are designed to monitor our operations and overall compliance may not identify every instance of non-compliance or every suspicious transaction. If internal control weaknesses are identified, our actions may not be sufficient to fully correct such internal control weakness. We face operational risks in our business and there may be losses due to deal errors, deficiencies in the credit sanction process, settlement problems, errors in computation of NAV, pricing errors, inaccurate financial reporting, fraud and failure of critical systems and infrastructure. We are in the process of improving our fraud monitoring systems to rectify identified weaknesses in them. There is no guarantee that our improvements will be successful, nor that we will be able to monitor or detect frauds that occur. In addition, we carry out certain processes manually, which may increase the risk that human error, tampering or manipulation will result in losses that may be difficult to detect. As a result, we may suffer material monetary losses. Such instances may also adversely affect our reputation.

We rely on models for risk analysis to guide our managerial decisions, and any mis-specification, deficiencies or inaccuracies in the models and data may impact our decision-making and operations.

As part of our ordinary decision making-process, we rely on various models for risk and data analysis. These models are based on historical data and supplemented with managerial input and comments. These models and the data they analyze may not always be accurate or adequate to guide our strategic and operational decisions and protect us from risks. Any mis-specification, deficiencies or inaccuracies in the models or the data might have a material adverse effect on our business, financial condition or results of operation. As we seek to expand the scope of our operations in newer geographies or new product areas, we also face the risk that we will be unable to develop risk management policies and procedures that are properly designed for those new geographies or areas or products or to manage the risks associated with the growth of our existing businesses. Implementation and monitoring may prove particularly challenging with respect to our expansion and the products that we plan on developing.

We may face risks associated with our large number of branches and widespread network of operations which may adversely affect our business, financial condition and results of operations.

We have a large branch network. As of March 31, 2017, the Bank had a branch network comprising 1,252 bank branches and 1,667 ATMs, as well as more than 7.14 million customers. The Bank's wholly-owned subsidiary has 100 branches. As a consequence of our large branch network, we may be exposed to certain risks, including, amongst others:

- preserving our asset quality as our geographical presence increases and our customer profile changes;
- developing and improving our products and delivery channels;
- recruiting, training and retaining sufficient skilled personnel;
- upgrading, expanding and securing our technology platform;
- complying with regulatory requirements such as Know Your Customer ("**KYC**"); Anti Money Laundering ("**AML**"); Foreign Exchange Management Act ("**FEMA**") and Foreign Account Tax Compliance Act ("**FATCA"**) norms;
- maintaining high levels of customer satisfaction;
- difficulties arising from operating a larger and more complex organization;
- difficulties arising from coordinating and consolidating corporate and administrative functions;
- delay in the transfer of data amongst various locations;

- higher technology support costs to achieve last mile connectivity;
- operational risks including integration of internal controls and procedures;
- failure to efficiently and optimally allocate management, technology and other resources across our branch network;
- failure to manage third-party service providers in relation to any outsourced services;
- difficulties in the integration of new branches with our existing branch network;
- difficulties in supervising local operations from our centralized locations;
- difficulties in hiring skilled personnel in sufficient numbers to operate the new branches locally and management to supervise such operations from centralized locations;
- failure to maintain the level of client service at all branches; and
- unforeseen legal, regulatory, property, labour or other issues

Any of the above reasons may result in our failure to manage a large branch presence, which may materially and adversely affect our brand, reputation, financial condition and result of operations.

Our business is highly competitive, which creates significant pricing pressures for us to retain existing customers and solicit new business, and our strategy depends on our ability to compete effectively.

The Indian banking industry is highly competitive. We face strong competition in our business from much larger government controlled public sector banks, Indian and foreign commercial banks, non-banking financial companies, payment banks, small finance banks and other financial services companies as well. Public sector banks, which generally have a much larger customer and deposit base, larger branch networks and Government support for capital augmentation, pose strong competition to us. Mergers among public sector banks, including because of Government efforts to encourage and facilitate such mergers, may result in enhanced competitive strengths in pricing and delivery channels for the merged entities. For example, the State Bank of India, India's largest public sector bank, has merged its five associate banks and Bharatiya Mahila Bank with itself, effective from April 1, 2017. Further, a number of private sector banks in India have a larger customer base and greater financial resources than us, giving them a substantial advantage by enabling economies of scale and improving organisational efficiencies.

The RBI has liberalised the licensing regime for banks in India and intends to issue licences on an ongoing basis, subject to meeting the RBI's qualification criteria. The RBI is supportive of creating more specialised banks and granting differentiated banking licenses such as for payment banks and small finance banks. The RBI also has plans to create wholesale and long-term finance banks in the near future. In April 2014, the RBI issued in-principle banking licences to two non-banking finance companies, Infrastructure Development and Finance Company ("**IDFC**") Limited and Bandhan Financial Services Private Limited. Both of these non-banking finance companies began operations as a bank during fiscal year 2016. In November 2014, the RBI released guidelines for licensing of payment banks and for licensing of small finance banks in the private sector. On August 19, 2015 the RBI granted in-principle approval to 11 applicants to set up payment banks. In September 2015, the RBI granted in-principle licences to ten applicants for small finance banks, most of which are microfinance non-banking finance companies. The RBI has also released guidelines with respect to a continuous licensing policy for universal banks in August 2016. The RBI has also put in the public domain, on April 7, 2017, a discussion paper on Wholesale and Long-Term Finance banks. These banks will focus primarily on lending to infrastructure sector and small, medium and corporate businesses. These banks can provide refinancing to lending institutions and may operate in the capital markets in the form of aggregators. The banks can also act like market makers in corporate bonds, credit derivatives and take out financing amongst others.

We also compete with foreign banks with operations in India. In November 2013, the RBI released a framework for the setting up of wholly owned subsidiaries in India by foreign banks. The framework encourages foreign banks to establish a presence in India by granting rights similar to those received by Indian banks, subject to certain restrictions and safeguards. Under the current framework, wholly owned subsidiaries of foreign banks are allowed to raise Rupee resources through issue of non-equity capital instruments. Further, wholly owned subsidiaries of foreign banks may be allowed to open branches in Tier 1 to Tier 6 centres (except at a few locations considered sensitive on security considerations) without having the need for prior permission from the RBI in each case, subject to certain reporting requirements. Any growth in the presence of foreign banks or in foreign investments in Indian banks may increase the competition that we face and as a result may have a material adverse effect on our business.

If the number of scheduled commercial banks, public sector banks, private sector banks, payment banks, small finance banks, and foreign banks with branches in the country increases, we will face increased competition in the businesses, which could have a material adverse effect on our financial condition and results of operations.

In addition, we may face attrition and difficulties in hiring at senior management, specialized functions and other levels due to competition from existing banking entities, as well as new banks and banking entities entering the market. Due to such intense competition, we may be unable to execute our growth strategy successfully and offer competitive products and services, which would have a material adverse effect on our business, financial condition and results of operations.

The rise of digital platforms and payment solutions may adversely impact our floats and impact our fees, and there may be disintermediation in the loan market by fintech companies.

Through our electronically linked branch network, correspondent bank arrangements and centralized processing, we effectively provide a nationwide collection, disbursement and payment systems for our clients. Disruption from digital platforms could have an adverse effect on the cash float and fees that we have traditionally received on such services. We also face threat to our loan market from newer business models that leverage technology to bring together savers and borrowers. We may not be competitive in facing up to the challenges from such newer entrants. This may, accordingly, have an adverse impact on our business and growth strategy.

We face the threat of fraud and cyber attacks targeted at disrupting the services of the Bank, such as hacking, phishing and trojans, and/or theft of sensitive internal Bank data or customer information. This may cause damage to our reputation and adversely impact our business and financial results.

Our systemic and operational controls may not be adequate to prevent adverse impact from frauds, errors, hacking and system failures. Further, our mobile and internet-based customer applications and interfaces are exposed to being hacked or compromised by third parties, resulting in thefts and losses to our customers and us. Some of these cyber threats from third parties include: (a) phishing and trojans – targeting our customers, wherein fraudsters send unsolicited mails to our customers seeking account sensitive information or to infect customer machines to search and attempt ex-filtration of account sensitive information; (b) hacking – wherein attackers seek to hack into our website with the primary intention of causing reputational damage to us by disrupting services; (c) data theft – wherein cyber criminals may attempt to intrude into our network with the intention of stealing our data or information; and (d) advanced persistent threat – a network attack in which an unauthorized person gains access to our network and remains undetected for a long period of time with an intention to steal our data or information rather than to cause damage to our network or organization. The frequency of such cyber threats may increase in future with the increased digitisation of our services. For example, the Bank has, in fiscal year 2017, detected ransomware on one computer at a credit hub and also faced a Distributed Denial of Service attack. Not only are we exposed to such risks from our own actions or those of our employees, but from actions of our third-party service providers, whom we do not control. If we become the target of any of such cyber attacks, it could materially and adversely affect our business, financial condition and results of operations.

A significant system breakdown or system failure caused by intentional or unintentional acts would have an adverse impact on our revenue-generating activities and lead to financial loss.

There is also the risk of our customers blaming us and terminating their accounts with us for a cyber-incident that might have occurred on their own system or with that of an unrelated third party. The RBI on June 2, 2016 issued a framework for cyber-security for banks, prescribing measures to be adopted by banks to address security risks including putting in place a cyber-security policy and requiring banks to report all unusual cyber-security incidents (whether successful or attempts) to the RBI. Any cyber-security breach could also subject us to additional regulatory scrutiny and expose us to civil litigation and related financial liability.

Our reputation could be adversely affected by fraud committed by employees, customers or outsiders, or by our perceived inability to properly manage fraud-related risks.

The Bank's current core banking application software is a centralized core banking solution that has been purchased from an information technology company. As the software is marketed as a common solution for Indian banks, there can be functional requirements specific to us that may not be addressed adequately and we may have to rely on internal resources for developing alternate solutions. We could incur losses, including losses from errors or fraud if such internally developed customisation proves to be inadequate. For example, due to logical errors in customisation, there were instances where interest subvention for some agriculture loan accounts was granted in excess of the eligible amount. The excess paid amount was identified and recovered, and the bug in the software was rectified. If the software is unable to take care of the new operational requirements prescribed by the regulators or if employees who have developed skills relating to such application software leave their employment with us, we may have to rely on third-party software, the cost of which may be significantly higher. In addition, there can be no assurance that the network infrastructure required for communication with the centralized system can be expanded in scale to meet any increase in the volume of our transactions

We depend on our brand recognition, and failure to maintain and enhance awareness of our brand would adversely affect our ability to retain and expand our base of customers.

We believe that the strong reputation of the "Federal" and "Federal Bank" brand names are essential to our business especially in Kerala where we have been operating since 1931. As such, any damage to our reputation or that of the "Federal" or "Federal

Bank" brand names could substantially impair our ability to maintain or grow our business, or have a material adverse effect on our business, financial condition and results of operations.

If we fail to maintain this brand recognition with our target customers due to any issues with our product offerings, a deterioration in service quality, or otherwise, or if any premium in value attributed to our business or to the brands under which our services are provided declines, market perception and customer acceptance of our brands may also decline. We also distribute third party products via partnerships with external organizations whom we have limited control over. Any negative news affecting such external organizations might also affect our reputation and brand value. In such an event, we may not be able to compete for customers effectively, and our business, financial condition and growth prospects may be materially and adversely affected.

In addition, any unauthorized or inappropriate use of our brand, trademarks and other related intellectual property rights by others, including third party distributors of our products, in their corporate names or product brands or otherwise could harm our brand image, competitive advantages and business and dilute or harm our reputation and brand recognition. Further, if a dispute arises with respect to any of our intellectual property rights or proprietary information, we will be required to produce evidence to defend or enforce our claims, and we may become party to litigation, which may strain our resources and divert the attention of our management. We cannot assure you that any infringement claims that are material will not arise in the future or that we will be successful in defending any such claims when they arise.

Our efforts to protect our intellectual property or proprietary information and the measures we take to identify potential infringement of our intellectual property may not be adequate to detect or prevent infringement, misappropriation or unauthorized use. The misappropriation or duplication of our intellectual property or proprietary information may disrupt our business, distract management and employees, reduce revenues and increase expenses. In addition, we may also become subject to infringement claims. Even if claims against us are not meritorious, any legal, arbitral or administrative proceedings that we may be required to initiate or defend in this regard may be time-consuming, costly and harmful to our reputation, and there is no assurance that such proceedings will ultimately be determined in our favour. Furthermore, the application of laws governing intellectual property rights in India is continuously evolving and there may be instances of infringement or passing-off of our brand in Indian markets. Our failure to adequately protect our brand, trademarks and other related intellectual property rights may adversely affect our business, financial condition and results of operations.

Our success depends, in large part, upon our management team and skilled personnel and on our ability to attract and retain such persons.

We are highly dependent on the continued services of our management team, including the efforts of our Managing Director & CEO and two Executive Directors. We comply with the RBI guidelines on Fit & Proper Criteria for Directors, relevant provisions of the Banking Regulation Act 1949 regarding Board composition, and other applicable provisions of the Companies Act, 2013 and SEBI Listing Regulations.

We are also dependent on our experienced members of our Board of Directors and Senior Management. See the section "Board of Directors and Senior Management" for details of our Board of Directors and Senior Management. Our future performance is dependent on the continued service of these persons. Our Code of Corporate Governance, based on guidelines from the RBI, recommends a retirement age of 70 years old. The RBI also mandates certain requirements (including qualification and experience requirements) for directors who sit on the board of banks, such requirements will make it more difficult for us to replace our directors when we have to. We may not be able to replace our Board of Directors with similarly experienced professionals, which could materially and adversely impact the quality of our management and leadership team.

Our employment agreements with our management team do not obligate them to work for us for any specified period and do not contain non-compete or non-solicitation clauses in the event of termination of employment. Further, we do not maintain any "key man" insurance. If one or more of these key personnel are unwilling or unable to continue in their present positions, we may not be able to replace them with persons of comparable skills and expertise.

We also face a continuing challenge to hire and assimilate a number of skilled personnel. Competition for management and other skilled personnel in our industry is intense, and we may not be able to attract and retain the personnel we need in the future. The loss of key personnel or our inability to replace key personnel may restrict our ability to grow, to execute our strategy, to raise the profile of our brand, to raise funding, to make strategic decisions and to manage the overall running of our operations, which would have a material adverse impact on our results of operations and financial position.

Our business and financial results could be impacted materially by adverse results of legal proceedings.

There are outstanding legal proceedings involving our Bank, our Subsidiary and our Directors which are primarily incidental to our business and operations. These proceedings are pending at different levels of adjudication before various courts, tribunals, quasi-judicial authorities and appellate tribunals. For further details of material legal proceedings involving our Bank, our Subsidiary and our Directors, see "*Legal Proceedings"* on page 212 and for details of our contingent liabilities, see "*Financial Statements*" on page 220. If any new developments arise, such as a change in the applicable laws or rulings against us by appellate courts or tribunals, we may need to make provisions in our financial statements that could increase our expenses and current liabilities.

We cannot assure you that these legal proceedings will be decided in our favour, or that no further liability will arise out of these proceedings. Further, such legal proceedings could divert management time and attention and consume financial resources. Any adverse outcome in any of these proceedings may adversely affect our profitability, reputation, business, results of operations and financial condition.

For more information, please refer to "*Legal Proceedings*"

We may breach third-party intellectual property rights.

We may be subject to claims by third parties, both inside and outside India, if we breach their intellectual property rights by using slogans, names, designs, software or other such rights that are of a similar nature to the intellectual property these third parties may have registered or are using. We might also be in breach of such third-party intellectual property rights due to accidental or purposeful actions by our employees where we may also be subjected to claims by such third parties.

Any legal proceedings that result in a finding that we have breached third parties' intellectual property rights, or any settlements concerning such claims, may require us to provide financial compensation to such third parties or stop using the relevant intellectual property (including by way of temporary or permanent injunction) or make changes to our marketing strategies or to the brand names of our products, any of which may have a material adverse effect on our business, prospects, reputation, results of operations and financial condition.

We rely on third-party service providers who may not perform their obligations satisfactorily or in compliance with law.

We enter into outsourcing arrangements with third party vendors, separate employees and independent contractors, in compliance with the RBI guidelines on outsourcing. These vendors, employees and contractors provide services that include, among others, cash management services, software services, client sourcing, debt recovery services, certain back office operations and call centre services. We cannot guarantee that there will be no disruptions in the provision of such services or that these third parties will adhere to their contractual obligation. If there is a disruption in the third-party services, or if the third-party service providers discontinue their service agreement with us, our business, financial condition and results of operations will be adversely affected. In case of any dispute, we cannot assure you that the terms of such agreements will not be breached, which may result in litigation costs. Such additional cost, in addition to the cost of entering into agreements with third parties in the same industry, may materially and adversely affect our business, financial condition and results of operations. The "Guidelines on Managing Risks and Code of Conduct in Outsourcing of Financial Services by Bank" issued by the RBI places obligations on banks, its directors and senior management for ultimate responsibility for the outsourced activity. Private banks in India are required to ensure that their service provider employs the same high standard of care in performing the services as would be employed by the banks, if the activities were conducted within the banks and not outsourced. Banks are also required to provide prior approval for use of subcontractors by outsourced vendor and to review the subcontracting arrangements and ensure that such arrangements are compliant with aforementioned RBI guidelines. Legal risks, including actions being undertaken by the RBI, if our third-party service providers act unethically or unlawfully, could materially and adversely affect our business, financial condition and results of operations.

We do not own the premises at a majority of our branches, delivery centres or offices from which we operate.

We do not own a majority of the premises in which our branches, delivery centres and other office premises are situated. We cannot assure you that we will have the right to occupy our leased premises in the future, which may impair our operations and could materially and adversely affect our business, results of operations and financial condition.

Furthermore, some of our lease agreements and leave and license agreements may not be adequately stamped or registered with the registering authority of the appropriate jurisdiction. An instrument not duly stamped, or insufficiently stamped, shall not be admitted as evidence in any Indian court or may attract a penalty as prescribed under applicable law, which could adversely affect the continuance of our operations and business.

The majority of our offices, branches, ATMs and marketing outlets are located on premises leased from third parties, which require renewal or escalations in rentals from time to time during the lease period. If we are unable to renew the relevant lease agreements, or if such agreements are renewed on unfavourable terms and conditions, we may be required to relocate operations and incur additional costs in such relocation. We may also face the risk of being evicted in the event that our landlords allege a breach on our part of any terms under these lease agreements. This may cause a disruption in our operations or result in increased costs, or both, which may materially and adversely affect our business, financial condition and results of operations in respect of such defaulting premises.

Our insurance coverage may not be adequate to protect us against all potential losses, which may have a material adverse effect on our business, financial condition and results of operations.

Our operations are subject to various risks inherent in the banking industry, as well as fire, theft, robbery, earthquake, flood, acts of terrorism and other force majeure events. Our insurance cover includes, among other things, group savings linked insurance scheme, group term assurance plan and group personal accident insurance policy. We maintain insurance for our operations in India through third party insurers in India. None of our insurance policies are assigned in favour of any third party. We may not have identified every risk and further may not be insured against every risk, including operational risk that may occur and the occurrence of an event that causes losses in excess of the limits specified in our policies, or losses arising from events or risks not covered by insurance policies or due to the same being inadequate, could materially harm our financial condition and future results of operations. There can be no assurance that any claims filed will be honoured fully or timely under our insurance policies. Also, our financial condition may be affected to the extent we suffer any loss or damage that is not covered by insurance or which exceeds our insurance coverage. In addition, we may not be able to renew certain of our insurance policies upon their expiration, either on commercially acceptable terms or at all.

Certain of our historical corporate records in connection with the allotment of our Equity Shares are not traceable.

We are unable to trace corporate records relating to allotments of our Equity Shares made during the period commencing from our incorporation until 2006 including prescribed forms required to be filed with the Registrar of Companies by us. Accordingly, the information in relation to such allotments included under the section entitled "Capital Structure" on page 73 of this Placement Document has not been independently verified. We cannot assure you that these documents will be available in the future or that we will not be subject to any penalty imposed by the competent regulatory authorities in this respect.

Deficiencies in the accuracy and completeness of information about our customers and counterparties may adversely impact us.

We rely on the accuracy and completeness of information about our customers and counterparties, and on representations by them or third parties as to the accuracy and completeness of such information, while carrying out transactions with these entities or on their behalf. For example, when deciding whether or not to extend credit to a customer, we may rely on reports of independent auditors with respect to the financial statements of the customer and other field verification reports from various agents. We also rely on credit ratings and bureau scores assigned to our customers. Our financial condition and results of operations could be negatively impacted by such reliance on information that is inaccurate or materially misleading. This may affect the quality of information available to us about the credit history of our borrowers, especially individuals and small businesses. As a consequence, our ability to effectively manage our credit risk may be adversely affected.

Our financial performance may be materially and adversely affected by an inability to generate and sustain other income.

In fiscal year 2017, 2016 and 2015 we generated other income, which includes primarily commission, exchange income, profit on sale of investments and other miscellaneous income including recoveries in assets written off, of ₹10,837.71 million, ₹8,083.58 million and ₹8,713.66 million respectively. This represents 10.98%, 9.36% and 10.42% of our total income for fiscal year 2017, 2016 and 2015.

We generate a majority of our other income from commission. We are facing various pressures in generating commission income, which may result in reduced margins going forward. In particular, the premiums and fee structures that we use in our business may be limited by existing and upcoming regulations, which may result in our being paid less overall for our services and products. Moreover, the Indian financial services sector is facing increasing competition, which might further reduce the income that we generate. There can be no assurance that we will be able to sustain current levels of income from, or effectively manage the risks associated with, our businesses in the future.

Further, as part of our growth strategy, we have been diversifying and expanding our product and service offerings to retail customers in order to build a more balanced portfolio. New initiatives, products and services entail a number of risks and challenges, including risks relating to execution, the failure to identify new segments, the inability to attract customers and the inability to make competitive offerings. If we are unable to successfully diversify our products and services while managing the related risks and challenges, returns on such products and services may be less than anticipated, which may materially and adversely affect our business, financial condition and results of operations.

Any worldwide financial instability could influence the Indian economy and affect our business.

A loss of investor confidence in the financial systems of other emerging markets may cause increased volatility in the Indian financial markets and indirectly in the Indian economy in general. Any worldwide financial instability could have a negative influence on the Indian economy and on other economies in which our customers are located. For example, the fall in oil prices has had an adverse impact on the GCC economies which in turn adversely impacted some of our customers and was partially responsible for an increase in our NPAs from fiscal year 2015 to fiscal year 2016. In response to such developments, legislators and financial regulators in various jurisdictions, including India, have implemented several policy measures designed to add stability to the financial markets. On June 14, 2017, the United States Federal Reserve increased interest rates from 1.00% to 1.25%, the third such increase in seven months, which will lead to an increase in borrowing costs in the United States and may in turn impact global borrowing. Furthermore, in several parts of the world, there are signs of increasing retreat from globalisation of goods, services and people, as pressure for the introduction of a protectionist regime is building and such developments could adversely affect the Indian economy. However, the overall impact of these and other legislative and regulatory efforts on the global financial markets is uncertain, and they may not have the intended stabilising effects. In the event that the current adverse conditions in the global credit markets continue or if there are any significant financial disruption, this could have an adverse effect on our business, financial condition, results of operations and the trading price of the equity shares.

There is a risk that a systemic shock could occur that causes an adverse impact on domestic or global financial systems. During the past decade the financial services industry and capital markets have been, adversely affected by market volatility, global economic conditions and political developments. A global shock could result in currency and interest rate fluctuations and operational disruptions that negatively impact us. Any such market and economic disruptions could adversely affect financial institutions and demand for the products and services we provide may decline, thereby reducing our earnings. These conditions may also affect the ability of our borrowers to repay their loans or our counterparties to meet their obligations, causing us to incur higher credit losses. These events could also result in the undermining of confidence in the financial system, reducing liquidity, impairing our access to funding and impairing our customers and counterparties and their businesses. Alternatively, these events could lead other Indian banks to fail, which could in turn affect our own financial position. If any of the above were to occur, our business prospects, financial performance or financial condition could be adversely affected. The nature and consequences of any such event are difficult to predict and there can be no certainty that we could respond effectively to any such event.

Our hedging strategies may not be successful in preventing all risk of losses.

We may utilize a variety of financial instruments, such as derivatives, interest rate swaps, futures and forward contracts to seek to hedge against any declines in our assets as a result of changes in currency exchange rates, certain changes in the equity markets and market interest rates and other events. Hedging transactions may also limit the opportunity for gain if the value of the hedged positions should increase, it may not be possible for us to hedge against a change or event at a price sufficient to fully protect our assets from the decline in value of the positions anticipated as a result of such change. In addition, it may not be possible to hedge against certain changes or events at all. While we may enter into such transactions to seek to reduce currency exchange rate and interest rate risks, or the risks posed by the occurrence of certain other events, unanticipated changes in currency or interest rates or the non-occurrence of other events being hedged may result in our poorer overall performance than if we had not engaged in any such hedging transaction. In addition, the degree of correlation between price movements of the instruments used in a hedging strategy and price movements in the position being hedged may vary. Moreover, for a variety of reasons, we may not seek to establish a perfect correlation between such hedging instruments and the positions being hedged. Such imperfect correlation may prevent us from achieving the intended hedge or expose us to additional risk of loss.

Our treasury income, debt investment portfolio and derivatives portfolio are exposed to risks relating to mark-to-market valuation, illiquidity, credit risk and income volatility.

The Bank had a debt investment portfolio available for sale of ₹79,279.17 million as of March 31, 2017, which mainly comprises of fixed-rate bonds. We have put in place different limits and controls over investment portfolio exposures, like the modified duration and price variation per basis point ("**PVBP**") tests to manage risks in the Bank's investments, but in the event interest rates rise, our portfolio will be exposed to the adverse impact of the mark-to-market valuation of such bonds. Any rise in interest rates leading to a fall in the market value of such debentures or bonds may materially and adversely affect our business, financial condition and results of operations. We face income volatility due to the illiquid market for the disposal of some of debt investment portfolio.

Income from our sale of investments was 3.16%, 3.78% and 7.72% of our total net income (which comprises net interest income plus other income) on a standalone basis for fiscal year 2017, 2016 and 2015.

Our income from our treasury operations is subject to volatility due to, among other things, changes in interest rates and foreign currency exchange rates as well as other market fluctuations. For example, an increase in interest rates may have a negative impact on the value of certain investments such as Government securities and corporate bonds and may require us to mark down the value of these investments on our balance sheet and recognize a loss on our income statement. Similarly, our derivative portfolio is subject to fluctuations in interest rates and foreign exchange rates, and any movement in those rates may require us to mark down the value of our derivatives portfolio. While we invest in corporate debt instruments as part of our normal business, we are exposed to risk of the issuer defaulting on its obligations. Changes in corporate bond spreads also affect valuations and expose us to risk of valuation losses. Although we have risk and operational controls and procedures in place for our treasury operations, such as sensitivity limits, position limits, stop loss limits and exposure limits, that are designed to mitigate the extent of such losses, there can be no assurance that we will not lose money in the course of trading on our fixed income book in held for trading and available-for-sale portfolio. Any such losses could materially and adversely affect our business, financial condition and results of operations.

Our ability to restructure our loans and NPAs and enforce collateral and security is subject to inter-creditor arrangements with other lenders, various regulations and multiple regulators with concurrent jurisdiction, which may impact the timing of our enforcement actions as well as the total amount we recover.

Our Bank's total gross standard restructured advances as on March 31, 2017, 2016 and 2015 were ₹12,823.60 million, ₹13,820.34

million and ₹26,047.67 million, respectively, on a standalone basis. We restructure assets based on a borrower's potential to restore its financial health. However, there can be no assurance that borrowers will be able to meet their obligations under restructured advances as per regulatory requirements and certain assets classified as restructured may turn delinquent. Any resulting increase in delinquency levels from restructured standard assets may adversely impact our business, financial condition and results of operations. We also have investments in security receipts arising from the sale of non-performing assets to asset reconstruction companies. There can be no assurance that asset reconstruction companies will be able to recover these assets and redeem our investments in security receipts and that there will be no reduction in the value of these investments.

In addition to the debt recovery and security enforcement mechanisms available to lenders under DRT Act and the SARFAESI Act, the RBI provides for various mechanisms that may be adopted by banks to deal with stressed assets. These include, the Scheme for Sustainable Structuring of Stressed Assets, Corporate Debt Restructuring and Strategic Debt Restructuring Scheme. The RBI is active in its identification, classification and recovery of NPAs. Very recently, the Indian parliament enacted the Insolvency and Bankruptcy Code, 2016 to provide a consolidated framework to address the concerns of lenders and to provide corporate debtors with an exit mechanism. Additionally, the Banking Regulation (Amendment) Ordinance, 2017 promulgated on May 4, 2017 states that the central Government may by order authorize the RBI to issue directions to banking companies to initiate insolvency proceedings under the Insolvency and Bankruptcy Code, 2016. Further, the RBI may issue directions to banking companies for the resolution of stressed assets.

However, there can be no assurance that these regulatory measures will have a favourable impact on our efforts to recover NPAs. Any failure to recover the expected value of collateral would expose us to potential loss. Banks in India are also required to share data with each other on certain categories of special mention accounts, set up joint lenders' forums and formulate action plans for resolution of these accounts. Failure to do so may result in accelerated provisioning for such cases. Even if an accelerated provision were made, there is no reassurance that we will be able to recover our NPAs.

A delay in the resolution of stressed assets and increased provisioning norms may adversely affect our business, results of operations and financial condition.

Resolution of large borrowers' accounts which are facing severe financial difficulties may require coordinated deep financial restructuring under the SDR/S4A schemes of the RBI, which often involves a substantial write-down of debt and/or making of large provisions. While the "stand still" clause in asset classification is permitted in both SDR/S4A process in order to provide reasonable time to lenders to review the processes involved in the resolution plan, if the account fails to get mandate and resolution within the time frame stipulated under the guidelines relating to SDR/S4A, then the asset classification will be as per the extant asset classification norms, assuming there was no such "stand still". The failure of these borrowers to perform as expected or a significant increase in the level of restructured loans in our portfolio could materially and adversely affect our business, results of operations and financial condition.

The RBI released a discussion paper on the dynamic loan loss provisioning framework in March 2012, with the objective of limiting the pro-cyclicality in loan loss provisioning during an economic cycle. The framework proposes to replace existing general provisioning norms and recommends that banks make provisions on their loan books every year based on their historical loss experience in various categories of loans. In years where the specific provision is higher than the computed dynamic provision requirement, the existing dynamic provision balance can be drawn down to the extent of the difference, subject to a minimum specified level of dynamic provision balance being retained. Any further increase by the RBI of the provisioning requirements may adversely affect our business, results of operations and financial condition.

Our unsecured loan portfolio is not supported by any collateral that could help ensure repayment of the loan, and in the event of non-payment by a borrower of one of these loans, we may be unable to collect the unpaid balance.

We offer unsecured personal loans to the retail customer segment, including salaried individuals and self-employed professionals. In addition, we offer unsecured loans to corporates, small businesses and individual businessmen. Unsecured loans are at higher credit risk for us than our secured loan portfolio because they may not be supported by realisable collateral that could help ensure an adequate source of repayment for the loan. Although we may obtain direct debit instructions or post-dated checks from our customers for our unsecured loan products, we may be unable to collect in part or at all in the event of non-payment by a borrower. Further, any increase in delinquency in our unsecured loan portfolio could require us to increase our provision for credit losses, which would decrease our earnings.

Our contingent liabilities could adversely affect our financial condition.

As of March 31, 2017, we had total contingent liabilities of ₹232,356.85 million. Our off-balance sheet liabilities consist of, among other things, liability on account of forward exchange and derivative contracts, guarantees, acceptances, endorsements and other obligations and claims not acknowledged as debts. In case of derivative contracts, we face potential losses if counterparties default due to adverse market movements. If any of these contingent liabilities materialize, our business, financial condition and results of operations may be materially and adversely affected.

Actuarial valuations of retiral benefits are carried out by an independent actuary and if such valuations are incorrect, it could

have an adverse effect on our financial condition.

We operate a defined benefit schemes such as gratuity and pension for eligible employees. Under the defined benefit plans, there is an obligation to pay defined future benefits from the time of retirement. The calculation of the net obligation is based on valuations made by external actuaries who are qualified to do such valuations and estimations. These valuations rely on assumptions about a number of variables, including discount rate and mortality rates and salary increases. We and our auditors rely on the valuations done by actuaries. Actuarial risk arises as estimated value of the defined benefit scheme liabilities may increase due to changes in actuarial assumptions.

Changes in our pension liabilities and obligations could have a materially adverse effect on us.

We operate a defined benefit pension scheme in respect of certain eligible employees. The pension fund is administered by the board of trustees and managed by a life insurance company. Should the value of assets to liabilities in respect of the defined benefit scheme operated by us record a deficit, due to either a reduction in the value of the pension fund assets (depending on the performance of financial markets) and/or an increase in the pension fund liabilities due to changes in legislation, mortality assumptions, discount rate assumptions, inflation, the expected rate of return on scheme assets, or other factors, this could result in us having to make increased contributions to reduce or satisfy the deficits which would divert resources from use in other areas of our business and reduce our capital resources.

Potential employee strikes could have a materially adverse effect on our business and operations.

Some of our workforce is currently unionized. From time to time, the labour unions for the banking employees organize strikes, as a result of which, we have been and may in the future be affected by strikes, work stoppages or other labour disputes. We have had past instances of industry wide strikes by the unions which affected all banks and we have also had past instances of strikes which only affected our Bank. In the event of a labour dispute, protracted negotiations and strike action may impair our ability to carry on our day-to-day operations, which could materially and adversely affect our business, future financial performance and results of operations.

We rely extensively on our information technology systems and the telecommunications network in India, which require significant investment and expenditure for regular maintenance, upgrades and improvements.

Our information technology systems are a critical part of our business that help us manage, among other things, our risk management, deposit servicing and loan origination functions, as well as our increasing portfolio of products and services. We are heavily reliant on our technology systems in connection with financial controls, risk management and transaction processing. In addition, our delivery channels include ATMs, call centres, mobile applications and the internet. Our offline and online business channel networks are dependent on a dense, comprehensive telecommunications network in India. While deregulation and liberalisation of telecommunications laws have prompted the steady improvement in local and long-distance telephone services, telephone network coverage and accessibility is still intermittent in many parts of India. Failure by the Indian telecommunications industry to improve network coverage to meet the demands of the rapidly growing economy may affect our ability to expand our customer base, acquire new customers or service existing customers by limiting access to our services and products. This may materially and adversely affect our business, financial condition and results of operations.

In addition, our digital platform provides both internet and mobile application based banking services which includes multiple services such as electronic funds transfer, bill payment services, usage of credit cards on-line, requesting account statements, and requesting cheque books. These services are highly dependent on our ability to efficiently and reliably process a high volume of transactions across numerous locations and delivery channels. We place heavy reliance on our technology infrastructure for processing this data; therefore, ensuring system security and availability is of paramount importance.

Our success will depend, in part, on our ability to respond to new technological advances and emerging banking, capital markets, and other financial services industry standards and practices on a cost-effective and timely basis. The development and implementation of such technology entails significant technical and business risks. There can be no assurance that we will successfully implement new technologies or adapt our transaction processing systems to customer requirements or improving market standards.

We use our information systems and the internet to deliver services to, and perform transactions on behalf of, our customers and we may need to regularly upgrade our systems, including our software, back-up systems and disaster recovery operations, at substantial cost so that it remains competitive. Our hardware and software systems are also subject to damage or incapacitation by human error, natural disasters, power loss, sabotage, computer viruses and similar events or the loss of support services from third parties such as internet backbone providers. There is no warranty under our information technology licence agreements that the relevant software or system is free of interruptions, will meet our requirements or be suitable for use in any particular condition. While we have faced unscheduled downtime of our IT services in the past, we have not experienced widespread disruptions of service to our customers. There can be no assurance that we will not encounter disruptions in the future due to substantially increased numbers of customers and transactions, or for other reasons. Any inability to maintain the reliability and efficiency of our systems could adversely affect our reputation, and our ability to attract and retain customers. In the event we experience system interruptions, errors or downtime (which could result from a variety of causes, including changes in customer use patterns, technological failure, changes to systems, linkages with third-party systems and power failures), we are unable to develop necessary technology or any other failure occurs in our systems, this may materially and adversely affect our business, financial condition and results of operations.

Our financial performance may be materially and adversely affected by an inability to respond promptly and effectively to new technology innovations.

Currently, technology innovations in mobilisation and digitisation of financial services require banks to continuously develop new and simplified models for offering banking products and services. Disruptive technology and new models of banking or other financial services that utilise such technology, such as micro-financing and peer-to-peer lending, might also materially and adversely affect our financial performance.

Such technologies could increase competitive pressures on banks, including us, to adapt to new operating models and upgrade back-end infrastructure on an ongoing basis. There is no assurance that we will be able to continue to respond promptly and effectively to new technology developments, be in a position to dedicate resources to upgrade our systems and to compete with new players entering the market. As such, the new technology innovations may result in a material adverse effect on our business, financial condition and results of operations.

Banking companies in India, including us, are required to prepare financial statements under the IND-AS for periods beginning from April 1, 2018. The transition to IND-AS is recent and there is no clarity on the effect of such transition on the Bank.

The Ministry of Corporate Affairs, in its press release dated January 18, 2016, issued a roadmap for implementation of IND-AS for scheduled commercial banks, insurers, insurance companies and non-banking financial companies. This roadmap requires these institutions to prepare IND-AS based financial statements for the accounting periods beginning from April 1, 2018 onwards with comparatives for the periods ending March 31, 2018. The RBI, by its circular dated February 11, 2016, requires all scheduled commercial banks to comply with IND-AS for financial statements beginning April 1, 2018 and banks are also required to be in preparedness to submit proforma IND-AS financial statements to the RBI from the half-year ended September 30, 2016, onwards. The RBI does not permit banks to adopt IND-AS earlier than the prescribed timelines. In addition, banks shall disclose in the annual report, the strategy for IND-AS implementation, including the progress made in this regard from fiscal year 2017 onwards.

While we have been discussing, including with the RBI, the possible impact of IND-AS on our financial reporting, the nature and extent of such impact is still uncertain. Further, the new accounting standards will change, among other things, our methodology for estimating allowances for expected loan losses and for classifying and valuing our investment portfolio and our revenue recognition policy. For estimation of expected loan losses, the new accounting standards may require us to calculate the present value of the expected future cash flows realisable from our advances, including the possible liquidation of collateral (discounted at the loan's effective interest rate). This may result in us recognising allowances for expected loan losses in the future which may be higher than under current Indian GAAP. We have made no attempt to quantify the impact of the differences between Indian GAAP and IND-AS. There can be no assurance, therefore, that our financial condition, results of operations, cash flows or changes in shareholders' equity will not appear materially different under IND-AS than under Indian GAAP. The mark to market requirements required under IND-AS may also impact our revenues and profitability. In our transition to IND-AS reporting, we may encounter difficulties in the ongoing process of implementing and enhancing our management information systems. Moreover, there is increasing competition for the small number of IFRS-experienced accounting personnel available as more Indian companies begin to prepare IND-AS financial statements. Further, there is no significant body of established practice on which to draw in forming judgments regarding the new system's implementation and application. There can be no assurance that our adoption of IND-AS will not adversely affect our reported results of operations or financial condition and any failure to successfully adopt IND-AS could materially adversely affect our business, financial condition and results of operations.

Moreover, although we currently have an internal control framework in place in order to report our financial statements under Indian GAAP, we will have to modify our internal control framework and adopt new internal controls in order to report under Ind AS. These new internal controls will require, amongst others, a transition to more model-based evaluation of certain items, as well as staff that are adequately knowledgeable with Ind AS. There is no guarantee that we will be able to implement effective internal controls under Ind AS in a timely manner or at all, and any failure to do so could materially adversely affect our financial condition and results of operations.

Significant differences exist between Indian GAAP and other accounting principles, such as U.S. GAAP and International Financial Reporting Standards ("IFRS"), which investors may be more familiar with and may consider material to their assessment of our financial condition.

Our financial statements are prepared and presented in conformity with Indian GAAP. No attempt has been made to reconcile any of the information given in this document to any other principles or to base it on any other standards. Indian GAAP differs in certain significant respects from IFRS, U.S. GAAP and other accounting principles with which prospective investors may be familiar in other countries. If our financial statements were to be prepared in accordance with such other accounting principles, our results of operations, cash flows and financial position may be substantially different. Prospective investors should review the accounting policies applied in the preparation of our financial statements, and consult their own professional advisers for an understanding of the differences between these accounting principles and those with which they may be more familiar.

We may undertake strategic investments or divestments, acquisitions and joint ventures, which may not perform in line with our expectations.

We may, depending on our management's view and market conditions, pursue strategic investments or divestments, undertake acquisitions and enter into joint ventures. For instance, we have historically entered into partnerships and joint ventures to expand our service offering. We currently operate a joint venture with IDBI Bank and Aegeas called IDBI Federal Life Insurance Company Limited where we hold 26% of the shares, the joint venture allows us to market our co-branded life insurance products in India.

We have, in the past and will in the future continue to, enter into various acquisitions including the acquisition of certain portfolios or accounts, in its entirety or part thereof, from other banks or financial institutions. Since we may only be able to undertake limited diligence on the security and collateral of such acquired accounts, there are no assurances that the asset quality, creditworthiness of such borrowers or the security and collateral provided under these portfolios and accounts are of a similar level to the existing borrowers, portfolios or accounts of our Bank. This may result in difficulties should any of such portfolios or accounts enter into default, which might materially and adversely affect our business, financial condition and results of operations.

We cannot assure you that we will be able to undertake or continue such strategic investments or divestments, acquisitions (including by way of a merger, or share or asset acquisition) or joint ventures in the future, either on terms acceptable to us or at all. Moreover, we require regulatory approval for acquisitions, and we cannot guarantee that we will receive such approvals in a timely manner, or at all. Any inability to identify suitable acquisition targets or investments or failure to complete such transactions may adversely affect our competitiveness or growth prospects.

We may have future plans to be involved in new businesses, including complementary businesses, technologies, services and products, and we may enter into strategic partnerships or joint ventures with parties that we believe can provide access to new markets, technology, capabilities or assets.

These new businesses subject us to many risks, and we can provide no assurances that any such ventures will be successful or meet our expectations. In addition, these new ventures may require regulatory approvals, and we cannot assure you that we will be able to procure such approvals, either in a timely manner or at all. If these new ventures are not successful, we may suffer losses, dilute value to shareholders or may not be able to take advantage of appropriate investment opportunities or conclude transactions on terms commercially acceptable to us. These ventures may require significant investments of capital and we may not realize our expected (or any) returns on these investments. Our management may also need to divert its attention from our operations in order to integrate such new businesses, which may affect the quality of operational standards and our ability to retain the business of our existing customers. We could also have difficulty in integrating the acquired products, services, solutions, technologies, management and employees into our operations. We may face litigation or other claims arising out of our new businesses, including disputes with regard to additional payments or other closing adjustments. These difficulties could disrupt our ongoing business, distract our management and employees, and increase our expenses. As a result, our business, financial condition and results of operations could be materially adversely affected.

Statistical and industry data in this document may be incomplete or unreliable.

Neither we nor the Book Running Lead Managers nor any person related to this offering have independently verified data obtained from industry publications and other industry sources referred to in this document and therefore, while we believe such data to be true, we cannot assure you that such data is complete or reliable. Such data may also be produced on different bases from those used in the industry publications we have referenced. Therefore, discussions of matters relating to India, its economy and the industries in which we currently operate are subject to the caveat that the statistical and other data upon which such discussions are based may be incomplete or unreliable and prospective investors are advised not to place undue reliance on such data. See the section "*Industry Overview*" at 112.

Risks Relating to Regulations

We operate in a highly regulated environment and there are numerous laws and regulations impacting many aspects of our operations, including our capital maintenance, lending limits and the types of business in which we can engage. As such, we are exposed to a number of risks relating to regulations, including these detailed below. Any change to the existing legal framework or enactment of stricter laws will require us to allocate additional resources, which may increase our regulatory compliance costs and divert management attention.

It may also impact our ability to undertake certain types of businesses, which may impact our growth and profits.

We operate in a highly regulated environment

We operate in a highly regulated environment in which we are regulated by SEBI, RBI, IRDAI, PFRDA, and other domestic and international regulators. Accordingly, legal and regulatory risks are inherent and substantial in our businesses. As we operate under licences or registrations obtained from appropriate regulators, we are subject to actions that may be taken by such regulators in the event of any non-compliance with any applicable policies, guidelines, circular, notifications and regulations issued by the relevant regulators.

Being regulated, we are subject to regular scrutiny and supervision by their respective regulators, such as regular inspections that may be conducted by the RBI. The requirements imposed by regulators are designed to ensure the integrity of the financial markets and to protect investors and depositors. Any non-compliance with regulatory guidelines and directions may result in substantial penalties and reputational impact, which may affect the price of our Equity Shares. Among other things, in the event of being found non-compliant, we could be fined or prohibited from engaging in certain business activities.

In addition, we are also exposed to the risk of us or any of our employees being non-compliant with insider trading rules or engaging in front running in securities markets. In the event of any such violations, regulators could take regulatory actions, including financial penalties against us and the concerned employees. This could have a materially adverse financial and reputational impact on us.

Any change to the existing legal or regulatory framework will require us to allocate additional resources, which may increase our regulatory compliance costs and direct management attention and consequently affect our business.

For more information, see "*Risk Factors - Changing laws, rules and regulations and legal uncertainties, including adverse application of tax laws and regulations, across the multiple jurisdictions we operate in may materially adversely affect our business and financial performance.*"

Our Bank may become a "foreign owned" company as per the Consolidated FDI Policy and any investment by our Bank in its Subsidiary may be subject to Indian foreign investment laws.

Indian companies, which are owned or controlled by non-resident entities, are subject to certain downstream investment restrictions specified in the Consolidated FDI Policy. Under the Consolidated FDI Policy, an Indian company is considered to be "owned" by a non-resident entity if 50.0% or more of its equity interest is beneficially owned by non-resident entities. If the non-resident shareholding in our Bank, reaches or exceeds 50.0%, our Bank would be considered as being "owned" by non-resident entities under the Consolidated FDI Policy. In such an event, any downstream investment by our Bank may, subject to applicable regulations, be considered as indirect foreign investment and shall be subject to various requirements specified under the Consolidated FDI Policy for downstream investments, including sectoral investment restrictions, approval or operating requirements and pricing guidelines.

Changing laws, rules and regulations and legal uncertainties, including adverse application of tax laws and regulations, across the multiple jurisdictions we operate in may materially adversely affect our business and financial performance.

Our business and financial performance could be materially adversely affected by changes in the laws, rules, regulations or directions applicable to us and our business, or the interpretations of such existing laws, rules and regulations, or the promulgation of new laws, rules and regulations, in India or in the other jurisdictions we operate in.

The governmental and regulatory bodies in India and other jurisdictions where we operate may notify new regulations and/or policies, which may require us to obtain approvals and licenses from the government and other regulatory bodies, or impose onerous requirements and conditions on our operations, in addition to those which we are undertaking currently. Any such changes and the related uncertainties with respect to the implementation of new regulations may have a material adverse effect on our business, financial condition and results of operations. See "*Regulations and Policies*" at 148.

Banking Regulations

We operate in a highly regulated environment in which the RBI extensively supervises and regulates all banks. Our business could be directly affected by any changes in policies for banks in respect of directed lending, reserve requirements, provisioning and other areas. For example, the RBI could change its methods of enforcing directed lending standards so as to require more lending to certain sectors, which could require us to change certain aspects of our business. In addition, we could be subject to other changes in laws and regulations, such as those affecting the extent to which we can engage in specific businesses or those that reduce our margins through a cap on either fees or interest rates chargeable to our customers or those affecting foreign investment or ownership requirements in the banking industry, as well as changes in other governmental policies and enforcement decisions, income tax laws, foreign investment laws and accounting principles. Laws and regulations governing the banking sector may change in the future and any changes may materially adversely affect our business, our future financial performance and the price of our equity shares.

The global financial regulations and guidelines developed by bodies such as the Basel Committee on Banking Supervision ("**BCBS**") would be implemented in India by the RBI, with or without customization. The RBI may also bring in other prudent regulations as it may deem fit from time to time, for compliance by banks in India. Such regulations may involve higher compliance costs and require banks to maintain higher capital ratios, prescribe maintenance of capital to cover those risks that are hitherto not linked to capital requirements, increase capital coverage for those risks covered at present and other prudential measures, the inability to cover which may result in the RBI placing restrictions on distribution of profits and expansion of business. This may impact our ability to achieve planned growth and impact our profitability.

*Cash Reserve Ratio ("**CRR**") and Statutory Liquidity Ratio ("**SLR**") requirements*

Under RBI regulations, we are subject to statutory reserve requirements, namely the CRR and SLR. The CRR currently applicable to banks in India is 4.0% of a bank's total of demand and time liabilities and banks do not earn any interest on those reserves.

Further, the RBI requires banks to maintain a SLR of 20.00%, effective from June 24, 2017. For fiscal year 2017, the majority of Government securities held by us comprised fixed rate instruments. In an environment of rising interest rates, the value of Government securities and other fixed income securities may depreciate. Our large portfolio of Government securities may limit our ability to deploy funds into higher yielding investments.

Further, a decline in the valuation of our trading book as a result of rising interest rates may adversely affect our financial condition and results of operations. As a result of the statutory requirements imposed on us, we may be more structurally exposed to interest rate risk as compared to banks in other countries.

Further, the RBI may increase the CRR and SLR requirements to higher proportions as a monetary policy measure. Any increases in the CRR from the current levels could affect our ability to deploy our funds or make investments, which could in turn have a negative impact on our results of operations. We are also exposed to the risk of the RBI increasing the applicable risk weight requirement for different asset classes from time to time. If we are unable to meet the reserve requirements of the RBI, the RBI may impose penal interest or prohibit us from receiving any further fresh deposits, which may have a material adverse effect on our business, financial condition and results of operations.

Tax

The application of various Indian and international sales, value-added and other tax laws, rules and regulations to our services, currently or in the future, may be subject to interpretation by applicable authorities, and if amended/ notified, could result in an increase in our tax payments (prospectively or retrospectively) and/or subject us to penalties, which could affect our business operations. Further, we have incomplete income tax assessments for the previous years and we run the risk of the Income Tax Department assessing our tax liability that may be materially different from the provision that we carry in our books for the past periods.

The Government has proposed two major reforms in Indian tax laws, namely the goods and services tax ("**GST**"), and provisions relating to the General Anti-Avoidance Rule (the “**GAAR**”).

The goods and service tax is proposed to be implemented with effect from July 1, 2017 and would replace the indirect taxes on goods and services such as central excise duty, service tax, central sales tax, state VAT and surcharge currently being collected by the central and state governments. The GST is expected to increase tax incidence and administrative compliance for Banks.

There are several areas where there is ambiguity in interpreting the GST and we may have to change and adapt our systems and such changes might have a material adverse effect on our business, financial condition and results of operations.

Furthermore, the GST has reduced the taxation threshold such that companies with an aggregate turnover exceeding ₹2 million are now liable for GST. Aggregate turnover would be computed on an all-India basis and shall include both exempted and non-taxable supplies. Import and inter-state supplies shall be taxable without any threshold limit. Further, central registration has been replaced with state registration, resulting in additional compliance requirements for the SME sector. With the introduction of GST, any major impact on the SME and MSME sector may have a material effect on our business, results of operations and financial conditions.

As regards GAAR, the provisions have been introduced in the Finance Act, 2012 with effect from April 1, 2017. The GAAR provisions intend to catch arrangements declared as “impermissible avoidance arrangements”, which is any arrangement, the main purpose or one of the main purposes of which is to obtain a tax benefit and which satisfy at least one of the following tests (i) creates rights or obligations which are not ordinarily created between persons dealing at arm’s length; (ii) results, directly or indirectly, in misuse, or abuse, of the provisions of the Income Tax Act, 1961; (iii) lacks commercial substance or is deemed to lack commercial substance, in whole or in part; or (iv) is entered into, or carried out, by means, or in a manner, which are not ordinarily employed for bona fide purposes. If GAAR provisions are invoked, then the tax authorities have wide powers, including denial of tax benefit or a benefit under a tax treaty. As the taxation system is intended to undergo significant overhaul, its consequent effects on the banking system cannot be determined at present and there can be no assurance that such effects would not adversely affect our business, future financial performance and the trading price of the Equity Shares.

The Government of India issued a set of Income Computation and Disclosure Standards ("**ICDS**") that has been applied in computing taxable income and the payment of income taxes since April 1, 2016. ICDS apply to all taxpayers following an accrual system of accounting for the purpose of computation of income under the heads of "Profits and gains of business or profession" and "Income from other sources".

The objective of introducing ICDS is to ensure consistency in the computation and in the reporting of taxable income. Currently, the computation of our total income is in accordance with the provisions of ICDS. There are no assurances that the ICDS will not be amended by the authorities. If the ICDS is amended, it might have a material adverse effect on our business, financial condition and results of operations.

Labour Laws

As of March 31, 2017, we have a total of 11,593 employees. Our full-time employees are employed by us and are entitled to statutory employment benefits, such as the employees' provident fund scheme or the new pension scheme and the employees' pension scheme, among others. In addition to our employees, we empanel agencies for our outsourcing requirements and also engage persons on a contractual basis.

We are subject to various labour laws and regulations governing our relationships with our employees and contractors, including in relation to minimum wages, working hours, overtime, working conditions, hiring and terminating the contracts of employees and contractors, contract labour and work permits.

A change of law that requires us to increase the benefits to the employees from the benefits now being provided may create potentially liability for us. Such benefits could also include provisions which reduce the number of hours an employee may work for or increase in number of mandatory casual leaves, which all can affect the productivity of the employees.

A change of law that requires us to treat and extend benefits to our outsourced personnel, and personnel retained on a contractual basis, as being full-time employees may create potentially liability for us. If we fail to comply with current and future health and safety and labour laws and regulations at all times, including obtaining relevant statutory and regulatory approvals, this could materially and adversely affect our business, future financial performance and results of operations.

Currently, some of our workforce is unionized and it is possible that future calls for work stoppages or other similar actions could have a material adverse impact on our day-to-day operations, until disputes are resolved. Any changes or amendments in the industry wide settlement or periodical wage revisions may materially and adversely affect our business, future financial performance and results of operations.

We depend on various licenses issued by domestic and foreign regulators for our banking and other operations.

We are also required to maintain various licenses issued by domestic regulators and foreign regulators for our banking and other operations. Domestically, we maintain our licenses with the RBI, IRDA, PFRDA and SEBI**.** We also maintain our licenses with the Central Bank of the UAE for our activities in UAE. Any license we have obtained may be revoked if we fail to comply with any of the terms or conditions relating to such license, or restrictions may be placed on our operations. Any such failure to obtain, renew or maintain any required approvals, permits or licenses, may result in the interruption of all or some of our operations, which could materially and adversely affect our business and results of operations.

In the future, we may be required to obtain new registrations, permits and approvals for any of our or our Subsidiary's or Associates existing business, as a result of change in current regulations or for any proposed expansion strategy or diversification into additional business lines or new financial products. There can be no assurance that the relevant authorities will issue any permits or approvals required by us in a timely manner, or at all, and/or on favourable terms and conditions. If we fail to obtain any applicable approvals, licenses, registrations or consents in a timely manner, we may not be able to undertake certain operations of our business which may affect our business or results of operations. The RBI issues instructions and guidelines to banks on branch authorisation from time to time. With the objective of liberalising and rationalising the branch licensing process, the RBI, effective May 18, 2017, granted general permission to domestic banks to open branches in Tier 1 to Tier 6 centres. If we are unable to perform in a manner satisfactory to the RBI in any of the above areas, it may have an impact on the number of branches we will be able to open and would in turn have an impact on our future growth and may also result in the imposition of penal measures by the RBI.

In order to support and grow our business, we must maintain a minimum capital adequacy ratio, and a lack of access to the capital markets may prevent us from maintaining an adequate ratio.

The RBI requires a minimum capital adequacy ratio of 9.0% of our total risk-weighted assets. Basel III capital regulations are effective in India from April 1, 2013 are required to be fully implemented by March 31, 2019 in a phased manner. Our capital adequacy ratio, calculated in accordance with RBI's Basel III guidelines, was 12.39%, 13.93% and 15.46%, on a standalone basis and 12.64%, 14.27% and 15.76% on a consolidated basis as of March 31, 2017, March 31, 2016 and March 31, 2015, respectively. Our ability to support and grow our business would become limited if the capital adequacy ratio declines. While we may access the capital markets to offset declines in our capital adequacy ratio, we may be unable to access the markets at the appropriate time or the terms of any such financing may be unattractive due to various reasons attributable to changes in the general environment, including political, legal and economic conditions.

The Basel Committee on Banking Supervision issued a comprehensive reform package entitled "*Basel III: A global regulatory framework for more resilient banks and banking systems*" in December 2010. In May 2012, the RBI released guidelines on implementation of Basel III capital regulations in India and in July 2015, the RBI issued a master circular consolidating all relevant guidelines on Basel III. The key items covered under these guidelines include: (i) improving the quality, consistency and transparency of the capital base; (ii) enhancing risk coverage; (iii) graded enhancement of the total capital requirement; (iv) introduction of capital conservation buffer and countercyclical buffer; and (v) supplementing the risk-based capital requirement with a leverage ratio. One of the major changes in the Basel III capital regulations is that the Tier I capital will predominantly consist of common equity ("Common Equity Tier 1") of the banks which includes common shares, reserves and stock surplus. Innovative perpetual debt instruments and perpetual non-cumulative preference shares will not be considered a part of Common Equity Tier I capital. Basel III also defines criteria for Additional Tier I and Tier II instruments to improve their loss absorbency. The guidelines also set-out criteria for loss absorption through conversion/write-down/write-off of all non-common equity regulatory capital instruments at the point of non-viability. The point of non-viability is defined as a trigger event upon the occurrence of which non-common equity Tier I and Tier II instruments issued by banks in India under the Basel III rules may be required to be written off or converted into common equity. The capital requirement, including the capital conservation buffer, will be 11.5% once these guidelines are fully phased-in. Domestically, systemically important banks would be required to maintain Common Equity Tier ("**CET**") I capital requirement ranging from 0.2% to 0.8% of risk weighted assets. Banks will also be required to have an additional capital requirement increasing linearly up to 2.5% of the risk weighted assets if the RBI announces the implementation of countercyclical capital buffer requirements. Additionally, the Basel III Liquidity Coverage Ratio ("**LCR**"), which is a measure of our high quality liquid assets compared to its anticipated cash outflows over a 30 day stressed period, was applied in a phased manner starting with a minimum requirement of 60.0% from January 1, 2015 and will reach a minimum of 100.0% on January 1, 2019.

Besides the LCR, the Basel III rules also envisage the Net Stable Funding Ratio ("**NSFR**"), which aims to direct banks to fund their activities with more stable sources of funding on an ongoing structural basis. Draft guidelines for the NSFR were laid down by RBI as part of liquidity risk management on May 28, 2015. RBI proposes to make NSFR applicable to banks in India from January 1, 2018. This is expected to limit the reliance on short-term wholesale funding and may potentially increase the cost of funding and impact profits.

In 2015, we were informed by RBI about the deficiencies in stress tests for our regulatory liquidity requirements as required under the Basel III framework. There were no penalties imposed upon us in this regard and we have started conducting regular stress tests on our business pursuant to the requirement. If we are unable to meet any existing or new and revised requirements, our business, future financial performance and the price of our equity shares could be adversely affected.

The Bank is required to undertake directed lending under RBI guidelines, which may require us to invest in lower-yielding deposits, which could impact our profitability.

The RBI prescribes guidelines on priority sector lending ("PSL") in India. Under these guidelines, our Bank is required to lend 40.0% of their adjusted net bank credit ("ANBC") or the credit equivalent amount of off-balance sheet exposures ("CEOBE"), whichever is higher, as defined by the RBI, to certain eligible sectors categorised as priority sectors. The priority sector requirements are monitored on a quarterly basis to arrive at a shortfall or excess lending in each quarter. A simple average of all quarters will be arrived at and considered for computation of overall shortfall or excess as at the end of the financial year. Of the total priority sector advances, the RBI specifies sub-targets for lending towards agricultural advances, micro, small and medium enterprises, advances to weaker sections and the differential rate of interest scheme.

The Bank has not always been able to meet the lending targets of certain sub-targets of the priority sector lending scheme in the past and may not be able to meet the overall priority sector lending target or certain sub-targets in the future. For example, as of March 31, 2017 the Bank had a shortfall in lending to small and marginal farmers, whereby our lending was 7.28% as compared to a target of 8.0%, and also a shortfall in lending to micro enterprises, whereby our lending was 5.16% as compared to a target of 7.5%. Furthermore, the RBI can make changes to the types of loans that qualify under the PSL scheme or the RBI can change the sub-target requirements. Changes that reduce the types of loans that can qualify toward meeting our PSL targets could increase shortfalls under the overall target or under certain sub-targets.

In the case of non-achievement of priority sector lending targets, including sub-targets, we are required to invest in the Rural Infrastructure Development Fund ("**RIDF**") established with NABARD and other Funds with NHB/SIDBI/MUDRA Limited. as decided by the Reserve Bank from time to time. The amount to be deposited, interest rates on such deposits and periods of deposits, and other terms, are determined by the RBI from time to time. The priority sector guidelines do not lay down any preferential interest rate for priority sector loans. The interest rates on such deposits are lower than the interest rates which we would have obtained by investing these funds at its discretion. As of March 31, 2017, our total investments as directed by the RBI in such deposits were ₹33,890.28 million. Additionally, as per RBI guidelines, non-achievement of priority sector lending target and sub-targets will be taken into account by the RBI when granting regulatory clearances/approvals for various purposes.

The Bank may experience a higher level of NPAs in our directed lending portfolio, particularly in loans to the agricultural sector, small enterprises and weaker sections, where we are less able to control the portfolio quality and where economic difficulties are likely to affect our borrowers more severely. The Bank's gross NPAs in PSL sectors as a percentage to gross loans were 4.50% as of March 31, 2017 (as compared to gross NPAs in PSL of 3.58% as of March 31, 2016 and 2.79% as of March 31, 2015). Further expansion of the PSL scheme could result in an increase of NPAs due to our limited ability to control the portfolio quality under the directed lending requirements.

In addition to the directed lending requirements, the RBI has encouraged banks in India to have a financial inclusion plan for expanding banking services to rural and unbanked centres and to customers who currently do not have access to banking services. The expansion into these markets involves significant investments and recurring costs. The profitability of these operations depends on our ability to generate business volumes in these centres and from these customers. Future changes by the RBI in the directed lending norms may result in our inability to meet the priority sector lending requirements as well as require us to increase our lending to relatively more risky segments and may result in an increase in non-performing loans.

We face restrictions on lending to large borrowers, which may have a material adverse effect on our business, financial condition and results of operations.

In August 2016, the RBI released the Guidelines on Enhancing Credit Supply for Large Borrowers through Market Mechanism. It was stated that corporate loans beyond the limit determined for a borrower, as per the guidelines, would attract additional provisions and higher capital. Further, the RBI has also aligned its limits on single and group borrowers to the Basel III standards. From April 2019, our limits for single and group borrowers will be 20.0% and 25.0% of our Tier 1 Capital funds as against the current norm of 15.0% and 40.0% of the Total Capital funds. These limits may be subjected to further changes and revisions in future. In addition, the RBI has also issued guidelines on enhancing credit supply for large exposures through market mechanism, which is effective from April 1, 2017. As per the guidelines, from 2017-18, incremental exposure of the banking system to a specified borrower beyond the Normally Permitted Lending Limit ("**NPLL**") shall be deemed to carry higher risks which needs be recognised by way of additional provisioning and higher risk weights. These new regulations may have a material adverse effect on our business, financial condition and results of operations.

RBI guidelines relating to ownership in private banks and foreign ownership restrictions in private banks and its downstream companies could discourage or prevent acquisition of a majority stake or other business combination involving us.

On May 12, 2016, RBI issued the Master Direction - Ownership in Private Sector Banks, Directions, 2016 ("**Master Directions**"). The Master Directions prescribe limits on ownership for all shareholders in the long run based on categorization of shareholders under two broad categories, namely (i) individuals; and (ii) entities/institutions. Further, in accordance with the Master Directions, (i) an individual promoter or members of the promoter group cannot own more than 15.0% of the paid-up share capital; (ii) non-financial entities or institutions (being a promoter or a member of the promoter group cannot own more than 15.0% of the paid-up share capital; (iii) individuals and non-financial entities or institutions (other than promoter or a member of the promoter group) cannot own more than 10.0% of the paid-up share capital; (iv) financial entities or institutions, other than those regulated, diversified or listed cannot own more than 15.0% of the paid-up share capital; (v) regulated, well diversified, listed financial entities or institutions cannot own more than 40.0% of the paid-up share capital; and (vi) supranational institutions or public sector undertaking or the Government cannot own more than 40.0% of the paid-up share capital.

There can be higher percentages of holding stakes by promoters or non-promoters through capital infusion by domestic or foreign entities or institutions if the RBI approves such transactions on a case-by-case basis only in certain circumstances such as for the rehabilitation and restructuring of weak banks.

If a transaction results in any person acquiring or agreeing to acquire, directly or indirectly, by itself or acting in concert with any other person, shares of a banking company or voting rights therein which taken together with shares and voting rights, if any, held by such person or such person's relative or associate enterprise (as defined by the Banking Regulations) or person acting in concert with such person, results in such person(s) holding at least 5.0% of the paid-up share capital of a banking company or entitles such person(s) to exercise at least 5.0% of a banking company's voting rights, RBI's approval is required prior to such a transaction.

The RBI, when considering whether to grant an approval, may take into account all matters that it considers relevant to the application, including ensuring that shareholders whose aggregate holdings are above specified thresholds meet fit and proper criteria.

The Master Directions limit the voting rights to 15.0% currently; which RBI proposes to increase to 26.0% in a phased manner. There are also foreign ownership restrictions in a private bank which may impact an acquirer's ability to acquire a majority of our shares or acquire control over us. The implementation of such restrictions could discourage or prevent a change in control, merger, consolidation, takeover or other business combination involving us, which might be beneficial to our shareholders.

Any substantial stake in us could discourage or prevent another entity from exploring the possibility of a combination with us.

Any such obstacles to potentially synergistic business combinations could negatively impact our share price and have a material adverse effect on our ability to compete effectively with other large banks and, consequently, our ability to maintain and improve our financial condition.

RBI guidelines relating to prompt corrective action could materially and adversely affect our business, future financial performance and results of operations.

On April 13, 2017, the RBI revised the Prompt Corrective Action ("**PCA**") framework for Banks. The new PCA framework has stipulated thresholds for capital ratios, non-performing assets, profitability and leverage for banks. When the PCA framework is triggered, the RBI would have a range of discretionary actions it can take to address the outstanding issues. These discretionary actions include conducting supervisory meetings, conducting reviews, advising banks' boards for altering business strategy, review of capital planning, restricting staff expansion, removing of managerial persons and superseding the Board. If we are covered under the PCA framework, it could materially and adversely affect our business, future financial performance and results of operations.

We have previously been subject to penalties imposed by the RBI. Any regulatory investigations, fines, sanctions, and requirements relating to conduct of business and financial crime could negatively affect our business and financial results, or cause serious reputational harm across our businesses.

The RBI is empowered under the Banking Regulation Act, to impose penalties on banks for any failure by the banks to comply with the applicable regulatory requirements. For example, we have previously been subject to penalties imposed by the RBI for failure to detect fake bank notes and for failure to exchange soiled bank notes**.**

We cannot predict the initiation or outcome of any further investigations by other authorities or different investigations by the RBI. Any penalty imposed by the RBI may generate adverse publicity for our business. Such adverse publicity, or any future scrutiny, investigation, inspection or audit which could result in fines, public reprimands, damage to our reputation, significant time and attention from our management, costs for investigations and remediation of affected customers, may materially adversely affect our business and financial results. For details of penalties imposed by RBI on us, see also "*Legal Proceedings*" at 211.

Any non-compliance with mandatory Anti Money Laundering and Know Your Customer policies could expose us to additional liability and harm our business and reputation.

In accordance with the requirements applicable to banks, we are mandated to comply with applicable anti-money laundering ("**AML**") and know your client ("**KYC**") regulations in India. These laws and regulations require us, among other things, to adopt and enforce AML and KYC policies and procedures. For further details, see "Regulations and Policies". While we have adopted policies and procedures aimed at collecting and maintaining all AML and KYC related information from our customers in order to detect and prevent the use of our banking networks for illegal money-laundering activities, there may be instances where we may be used by other parties in attempts to engage in money-laundering and other illegal or improper activities. For instance, the Ministry of Finance, Department of Revenue, Financial Intelligence Unit – India ("**FIU-IND**") imposed a penalty of ₹0.20 million for the alleged failure of our Bank in detecting and reporting of attempted suspicions transactions related to the Cobra Post sting operation. While the Bank filed an appeal against the order in the Appellate Tribunal in New Delhi, FIU-IND demanded the payment of the penalty amount before the appeal results were finalized. The Bank paid the penalty in August 2016.

Although we believe that we have adequate internal policies, processes and controls in place to prevent and detect AML activity and ensure KYC compliance, and have taken necessary corrective measures, there can be no assurance that we will be able to fully control instances of any potential or attempted violation by other parties and may accordingly be subject to regulatory actions including imposition of fines and other penalties by the relevant government agencies to whom we report, including the FIU-IND. Our business and reputation could suffer if any such parties use or attempt to use us for money-laundering or illegal or improper purposes and such attempts are not detected or reported to the appropriate authorities in compliance with applicable regulatory requirements.

See "*Legal Proceedings*" at 211.

Our customers may engage in certain transactions in or with countries or persons that are subject to U.S. and other sanctions.

U.S. law generally prohibits U.S. persons from directly or indirectly investing or otherwise doing business in or with certain countries (such as Iran, Myanmar, North Korea Sudan, Syria and the Crimea region) and with certain persons or businesses that have been specially designated by the OFAC or other U.S. government agencies. Other governments and international or regional organizations also administer similar economic sanctions.

We provide transfer, settlement and other services to our customers, who may be doing business with, or located in, countries to which certain OFAC-administered and other sanctions apply, such as Iran. Although we believe we have compliance systems in place that are sufficient to block prohibited transactions, there can be no assurance that we will be able to fully monitor all of our transactions for any potential violation. Although we do not believe that we are in violation of any applicable sanctions, if it were determined that transactions in which we participate violate U.S. or other sanctions, we could be subject to U.S. or other penalties, and our reputation and future business prospects in the United States or with U.S. persons, or in other jurisdictions, could be adversely affected. We rely on our staff to be up-to-date and aware of the latest sanctions in place. Further, investors in the equity shares could incur reputational or other risks as the result of our customers' dealings in or with countries or with persons that are the subject of U.S. sanctions.

RBI may remove any employee, managerial person or may supersede our Board of Directors in certain circumstances.

The Banking Regulation Act confers powers on the RBI to remove from office any directors, chairman, chief executive officer or other officers or employees of a bank in certain circumstances. RBI also has the powers to supersede the board of directors of a bank and appoint an administrator to manage the bank for a period of up to 12 months in certain circumstances. The RBI may exercise powers of supersession where it is satisfied, in consultation with the Central Government that it is in the public interest to do so, to prevent the affairs of any bank from being conducted in a manner that is detrimental to the interest of the depositors, or for securing the proper management of any bank. Should any of the steps as explained herein are taken by RBI, our business, results of operations and financial conditions would be materially and adversely affected.

Non-compliance with RBI inspection/observations may have a material adverse effect on our business, financial condition or results of operation.

We are subject to periodic inspections by RBI under the Banking Regulation Act. During the course of assessment, the RBI advises issues related to various risk and regulatory non-compliances, and during such inspections RBI has in the past made certain observations regarding our business and operations. In relation to the inspection for the financial year ended March 31, 2016 we are yet to comply with (i) one area of regulatory non compliance in relation to installation of new ATMs as talking ATMs with Braille keypads; and (ii) two risk mitigation plans in relation to (a) updating of rating migration details of loans in the system; and (b) integration of SWIFT with integrated treasury management software and core banking solutions. In relation to the inspection for the financial year ended March 31, 2015 we are yet to comply with one area of regulatory non compliance in relation to non-monitoring of the overall open position limit for the bank on a real time basis. While we have undertaken steps to comply with these observations and have informed RBI regarding the status of our compliance, there can be no assurance that RBI will consider such steps to be adequate and treat the observations as being duly complied with. In the event we are not able to comply with the observations made by the RBI, we could be subject to supervisory actions which may have a material adverse effect on our reputation, financial condition and results of operations.

Risks Relating to India

India's existing credit information infrastructure may cause increased risks of loan defaults

The majority of our Bank's business is located in India. India's existing credit information infrastructure may pose problems and difficulties in running a robust credit check on our borrowers. We may also face difficulties in the due diligence process relating to our customers or to any security or collateral we take in relation to our loans. We may not be able to run comprehensive searches relating to the security and there are no assurances that any searches we undertake will be accurate or reliable. Hence, our overall credit analysis could be less robust as compared to similar transactions in more developed economies. Any inability to undertake a fulsome due diligence or credit check might result in an increase in our NPAs and we may have to increase our provisions correspondingly. Any of the foregoing may have a material adverse effect on our business, financial condition and results of operations.

Financial instability in other countries may cause increased volatility in Indian financial markets.

The Indian market and the Indian economy are influenced by economic and market conditions in other countries, particularly emerging market countries in Asia. Although economic conditions are different in each country, investors' reactions to developments in one country can have adverse effects on the securities of companies in other countries, including India. A loss of investor confidence in the financial systems of other emerging markets may cause increased volatility in Indian financial markets and, indirectly, in the Indian economy in general. Any worldwide financial instability could also have a negative impact on the Indian economy. Financial disruptions may occur again and could harm our business, our future financial performance and the prices of the equity shares.

Any adverse change in India's credit rating by an international rating agency could materially adversely affect our business and profitability.

Our outstanding debt is mostly domestic and we are rated only by domestic rating agencies. Namely, our fixed deposit and certificate of deposit schemes maintain A1+ ratings from CRISIL.

Standard and Poor's ("**S&P**"), Moody's Investors Service Limited ("**Moody's**") and Fitch Ratings, Inc. ("**Fitch**") currently have stable outlooks on their sovereign rating for India. There is no assurance that these stable outlooks would remain and they may lower their sovereign ratings for India or the outlook on such ratings, which would also impact the rating of our securities. Any adverse credit rating outlook on India would impact the country's outlook and cascade into interest rate and currency depreciation.

In September 2014, S&P affirmed the "BBB minus" sovereign credit rating on India and revised the outlook on India's long-term rating from "negative" to "stable", citing improvement in the Government's ability to implement reforms and encourage growth, which in turn would lead to improving the country's fiscal performance. In April 2015, Moody's revised India's sovereign rating outlook from "stable" to "positive" and retained the long-term rating at "Baa3" as it expected actions of policymakers to enhance India's economic strength in the medium term. In July 2016, Fitch revised its outlook for the Indian banking sector to "Negative" from "Stable" due to the increase in non-performing loans.

There can be no assurance that these ratings will not be further revised or changed by S&P, Fitch or Moody's or that any of the other global rating agencies will not downgrade India's credit rating. Any adverse revisions to India's credit ratings for domestic and international debt by international rating agencies may adversely impact our ability to raise additional financing and the interest rates and other commercial terms at which such financing is available. Any of these developments may materially and adversely affect our business, financial condition and results of operations.

Any volatility in exchange rates may lead to a decline in India's foreign exchange reserves and may affect liquidity and interest rates in the Indian economy, which could adversely impact us.

Foreign inflows into India have remained extremely volatile responding to concerns about the domestic macroeconomic landscape and changes in the global risk environment. India's current account deficit jumped to a four quarter high of 1.4% of the gross domestic product in December 2016 as compared to 0.6% in September 2016. The widening current account deficit has been attributed largely to the surge in gold imports led by the uncertainty stemming from the demonetisation policy.

The Indian rupee also faces challenges in the volatile swings in capital flows. The shifts in capital flows is reflected in the fact that Indian rupee recorded a high of ₹64.84 to US dollar and a low of ₹68.72 to the US dollar during fiscal year 2017. Even though the Indian rupee has been fairly stable since the start of calendar year 2017, it may come back under pressure given the possibility of global fund flows from emerging markets to the US markets over the medium term. Additionally, some anxiety about the prospect of sub-normal monsoons adversely affecting the domestic economy could make investors circumspect of investing in domestic assets. The weak monsoons of fiscal year 2016 and 2015 weakened the purchasing and investing power in India. Further, there remains a possibility of intervention in the foreign exchange market to control volatility of the exchange rate. The need to intervene may result in a decline in India's foreign exchange reserves and subsequently reduce the amount of liquidity in the domestic financial system. This in turn could cause domestic interest rates to rise.

Further, increased volatility in foreign flows may also affect monetary policy decision making. For instance, a period of net capital outflows might force the RBI to keep monetary policy tighter than optimal to guard against any abnormal currency depreciation.

Terrorist attacks, civil unrest and other acts of violence or war involving India and other countries would negatively affect the Indian market where our shares trade and lead to a loss of confidence and impair travel, which could reduce our customers' appetite for our products and services.

Terrorist attacks and other acts of violence or war may negatively affect the Indian markets on which our equity shares trade and also materially adversely affect the global financial markets. These acts may also result in a loss of business confidence, make travel and other services more difficult and as a result ultimately materially adversely affect our business. In addition, any deterioration in relations between India and its neighbours might result in investor concern about stability in the region, which could materially adversely affect the price of our equity shares.

India has also witnessed civil disturbances in recent years and future civil unrest as well as other adverse social, economic and political events in India could have an adverse impact on us. Such incidents also create a greater perception that investment in Indian companies involves a higher degree of risk, which could have an adverse impact on our business and the price of our Equity Shares.

We are subject to regulatory, economic and social and political uncertainties and other factors beyond our control.

We are incorporated in India and we conduct our corporate affairs and our business in India. Our Equity Shares are listed on the BSE and the NSE. Consequently, our business, operations, financial performance and the market price of our equity shares will be affected by the following external risks, should any of them materialize:

- changes in exchange rates and controls;
- macroeconomic factors and central bank regulation, including in relation to interest rates movements which may in turn adversely impact our access to capital and increase our borrowing costs;
- decline in India’s foreign exchange reserves which may affect liquidity in the Indian economy;
- political instability, resulting from a change in government or in economic and fiscal policies;
- civil unrest, acts of violence, regional conflicts or situations or war may adversely affect the financial markets;
- changes in government policies, including taxation policies, social and civil unrest and other political, social and economic developments in or affecting India; or
- natural calamities and force majeure events.

The Government of India has exercised and continues to exercise significant influence over many aspects of the Indian economy. Indian governments have generally pursued policies of economic liberalization and financial sector reforms, including by relaxing restrictions on the private sector. Nevertheless, the role of the Indian central and state governments in the Indian economy as producers, consumers and regulators has remained significant and we cannot assure you that such liberalization policies will continue. A significant change in India's policy of economic liberalization and deregulation or any social or political uncertainties could adversely affect business and economic conditions in India generally and our business and prospects.

India has in the past experienced community disturbances, strikes, riots, epidemics and natural disasters. India has also experienced natural calamities such as earthquakes, tsunamis, floods and drought in the past few years. For example, the cyclone that hit Chennai on December 13, 2016 disrupted the functioning of various branches in and around Chennai City. There can be no assurance that we will not be affected by natural or man-made disasters in India or elsewhere in the future. These acts and occurrences could have an adverse effect on the financial markets and the economy of India and of other countries, thereby resulting in a loss of business confidence and a suspension of our operations, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

Investors may have difficulty enforcing foreign judgments in India against us or our management.

Our Bank and our Subsidiary and Joint Venture are constituted in India. All of our directors and executive officers named herein for the Bank and the majority for Subsidiary and for Joint Venture are residents of India and a substantial portion of the Bank's assets and such persons and all of Subsidiary and Joint Venture are located in India. As a result, it may not be possible for investors outside of India to effect service of process on us or such persons from their respective jurisdictions outside of India, or to enforce against them judgments obtained in courts outside of India predicated upon our civil liabilities or such directors and executive officers under laws other than Indian Law.

For more information on the enforcement of civil liabilities in India, see "*Enforcement of Civil Liabilities.*"

A slowdown in economic growth in India would cause us to experience slower growth in our asset portfolio and deterioration in the quality of our assets.

Our performance and the quality and growth of our assets are necessarily dependent on the health of the overall Indian economy, which in turn is linked to global economic conditions. Below-trend global growth may adversely affect the growth prospects of the Indian economy. This could adversely affect our business, including our ability to grow our asset portfolio, the quality of our assets and our ability to implement our strategy. The Indian economy may be adversely affected by volatile oil prices, given India's dependence on imported oil for its energy needs, inflationary pressures and weather conditions adversely affecting the Indian agricultural market or other factors. This may have a cascading impact on our asset portfolio. In addition, the Indian economy is in a state of transition. The share of the services sector of the economy is rising, while that of the industrial, manufacturing and agricultural sectors is declining. Finally, India faces major challenges in sustaining its growth, which include the need for substantial infrastructure development and improving access to healthcare and education. If the Indian economy deteriorates, our asset base may erode, which would result in a material decrease in our net profits and total assets.

Risks Relating to the Equity Shares

Financial difficulty and other problems in certain financial institutions in India could materially adversely affect our business and the price of our equity shares.

We are exposed to the risks of the Indian financial system by being a part of the system. The financial difficulties faced by certain Indian financial institutions because the commercial soundness of many financial institutions may be closely related as a result of credit, trading, clearing or other relationships. Such "systemic risk", may materially adversely affect financial intermediaries, such as clearing agencies, banks, securities firms and exchanges with which we interact on a daily basis. Any such difficulties or instability of the Indian financial system in general could create an adverse market perception about Indian financial institutions and banks and materially adversely affect our business. Our transactions with these financial institutions expose us to various risks in the event of default by a counterparty, which can be exacerbated during periods of market illiquidity.

An investor will not be able to sell any of the equity shares subscribed in this Issue other than across a recognised Indian stock exchange for a period of 12 months from the date of the issue of the equity shares.

Pursuant to the SEBI ICDR Regulations, for a period of 12 months from the date of the issue of the Equity Shares in this Issue, Eligible Qualified Institutional Buyers ("**QIBs**") subscribing to the Equity Shares may only sell their Equity Shares on the NSE or the BSE and may not enter into any off-market trading in respect of these equity shares. We cannot be certain that these restrictions will not have an impact on the price of the equity shares. Further, allotments made to Venture Capital Funds ("**VCFs**") and Alternative Investment Funds ("**AIFs**") in the Issue are subject to the rules and regulations that are applicable to them, including in relation to lock-in requirements. This may affect the liquidity of the equity shares purchased by investors and it is uncertain whether these restrictions will adversely impact the market price of the equity shares purchased by investors.

Future issuances or sales of the Equity Shares could significantly affect the trading price of the Equity Shares.

The future issuance of shares by us or the disposal of shares by any of our major shareholders, or the perception that such issuance or sales may occur, may significantly affect the trading price of the Equity Shares. There can be no assurance that we will not issue further shares or that the major shareholders will not dispose of, pledge or otherwise encumber their shares.

Investors may be subject to Indian taxes arising out of capital gains on the sale of the equity shares.

Under current Indian tax laws and regulations, capital gains arising from the sale of shares in an Indian company are generally taxable in India. Any gain realised on the sale of listed equity shares on a stock exchange held for more than 12 months will not be subject to capital gains tax in India if Securities Transaction Tax ("**STT**") has been paid on the transaction. STT will be levied on and collected by a domestic stock exchange on which the equity shares are sold. Any gain realised on the sale of equity shares held for more than 12 months to an Indian resident, which are sold other than on a recognized stock exchange and on which no STT has been paid, will be subject to long-term capital gains tax in India.

The recent Finance Act 2017 amendments provided that where the shares have been acquired on or after October 1, 2004 and on which STT has not been paid at the time of acquisition, then the exemption of long term capital gains under section 10(38) of the Income Tax Act 1961 would not be available. This amendment further provides that the Government will notify certain modes of acquisition to which the recent amendment made by Finance Act 2017 would not be applicable and the shares acquired by such modes of acquisition would continue to get the benefit of section 10(38) of the Income Tax Act 1961.

Further, any gain realised on the sale of listed equity shares held for a period of 12 months or less will be subject to short-term capital gains tax in India. Capital gains arising from the sale of the equity shares will be exempt from taxation in India in cases where the exemption from taxation in India is provided under a treaty between India and the country of which the seller is resident. Generally, Indian tax treaties do not limit India's ability to impose tax on capital gains. As a result, residents of other countries may be liable for tax in India as well as in their own jurisdiction on a gain upon the sale of the equity shares. Additionally, in view of the individual nature of the tax consequences and the changing tax laws, each prospective investor is advised to consult their own tax consultant with respect to the specific tax implications arising out of their participation in this Issue.

Rights of shareholders under Indian law may be more limited than under the laws of other jurisdictions.

Our Articles, the instructions issued by the RBI, and Indian law govern our corporate affairs. Legal principles relating to these matters and the validity of corporate procedures, directors' fiduciary duties and liabilities, and shareholders' rights may differ from those that would apply to a bank or corporate entity in another jurisdiction. Shareholders' rights under Indian law may not be as extensive as shareholders' rights under the laws of other countries or jurisdictions. Investors may have more difficulty in asserting their rights as one of our shareholders than as a shareholder of a bank or corporate entity in another jurisdiction.

The market value of the Equity Shares may fluctuate due to the volatility of the Indian securities markets.

Indian securities markets may be more volatile than and not comparable to, the securities markets in certain countries with more developed economies and capital markets than India. Indian stock exchanges have, in the past, experienced substantial fluctuations in the prices of listed securities. Indian stock exchanges (including the BSE and the NSE) have experienced problems which, if such or similar problems were to continue or recur, could affect the market price and liquidity of the securities of Indian companies, including the Equity Shares. These problems have included temporary exchange closures, broker defaults, settlement delays and strikes by brokers. In addition, the governing bodies of Indian stock exchanges have, from time to time, imposed restrictions on trading in certain securities, limitations on price movements and margin requirements. Further, from time to time, disputes have occurred between listed companies, stock exchanges and other regulatory bodies, which in some cases may have a negative effect on market sentiment.

You will not, without prior RBI approval, be able to acquire Equity Shares if such acquisition would result in an individual or group holding 5.00% or more of our share capital or voting rights; you may not be able to exercise voting rights in excess of 10.00% of the total voting rights.

The Banking Regulation Act, as amended on January 18, 2013, read with the Reserve Bank of India (Prior Approvals for Acquisition of shares or voting rights in Private Sector Banks) Directions, 2015, requires any person to seek prior approval of the RBI, to acquire or agree to acquire shares or voting rights of a bank, either directly or indirectly, beneficial or otherwise, by himself or acting in concert with other persons, wherein such acquisition (taken together with shares or voting rights held by him or his relative or associate enterprise or persons acting in concert with him) results in the aggregate shareholding of such persons to be 5.00% or more of the paid-up share capital of a bank or entitles him to exercise 5.00% or more of the voting rights in a bank.

The RBI, as per Master Direction – Ownership in Private Sector Banks, Directions, 2016 released on May 12, 2016, laid out shareholding and voting rights limits in Private Sector Banks. It restricts ownership limits of individuals and non-financial entities (other than the promoter and promoter group) at 10.00% of the paid-up capital. In the case of entities from the financial sector, other than regulated or diversified or listed, the limit is 15.00% of the paid-up capital.

Further, any acquisition of shareholding/voting rights of 5.00% or more of the paid-up capital of the bank or total voting rights of the bank shall be subject to obtaining prior approval from the RBI. Such approval may be granted by the RBI if it is satisfied that the applicant meets certain fitness and propriety tests. The RBI may require the proposed acquirer to seek further RBI approval for subsequent acquisitions. Further, the RBI may, by passing an order, restrict any person holding more than 5.00% of our total voting rights from exercising voting rights in excess of 5.00%, if such person is deemed to be not fit and proper by the RBI. For further details, see "Regulations and Policies" on page 149.

Foreign Account Tax Compliance withholding may affect payments on the equity shares.

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("foreign passthru payments") to persons that fail to meet certain certification, reporting, or related requirements. A number of jurisdictions (including India) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("IGAs"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Equity Shares, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Equity Shares, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Equity Shares, such withholding would not apply prior to 1 January 2019. Investors should consult their own tax advisors regarding how these rules may apply to their investment in the shares. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Equity Shares, no person will be required to pay additional amounts as a result of the withholding.

The Bank may be classified as a passive foreign investment company for U.S. federal income tax purposes, which could result in materially adverse U.S. federal income tax consequences to U.S. Holders of the equity shares.

Based on the anticipated market price of the Equity Shares, and the composition of our income, assets and operations, we do not expect to be treated as a passive foreign investment company (a "**PFIC**") for U.S. federal income tax purposes for the most recent taxable year, and do not expect to be a PFIC for the current taxable year or in the foreseeable future. However, the application of the PFIC rules is subject to uncertainty in several respects, and we cannot assure investors that the U.S. Internal Revenue Service will not take a contrary position. Furthermore, PFIC status is a factual determination that can only be made annually after the close of each taxable year. If we are a PFIC for any taxable year during which a U.S. Holder (as defined in "Statement of Tax Benefits — Certain U.S. Federal Tax Considerations" on page 208) holds the Equity Shares, certain materially adverse U.S. federal income tax consequences could apply to such U.S. Holder. See Section "Statement of Tax Benefits— Certain U.S. Federal Income Tax Considerations — Passive Foreign Investment Company Rules" on page 209.

Holders of Equity Shares could be restricted in their ability to exercise pre-emptive rights under Indian law and could thereby suffer future dilution of their ownership position.

Under the Companies Act, a company incorporated in India must offer holders of its equity shares pre-emptive rights to subscribe and pay for a proportionate number of shares to maintain their existing ownership percentages prior to the issuance of any new equity shares, unless the pre-emptive rights have been waived by the adoption of a special resolution by holders of three-fourths of the equity shares who have voted on such resolution. However, if the law of the jurisdiction that you are in does not permit the exercise of such pre-emptive rights without us filing an offering document or registration statement with the applicable authority in such jurisdiction, you will be unable to exercise such pre-emptive rights unless we make such a filing. We may elect not to file a registration statement in relation to pre-emptive rights otherwise available by Indian law to you. To the extent that you are unable to exercise pre-emptive rights granted in respect of the Equity Shares, you may suffer future dilution of your ownership position and your proportional interests in us would be reduced.

MARKET PRICE INFORMATION

As at the date of this Placement Document, 1,728,120,426 Equity Shares are issued and outstanding.

On June 20, 2017 the closing price of the Equity Shares on BSE and NSE was ₹119.00 and ₹118.80 per Equity Share, respectively. Since the Equity Shares are actively traded on the Stock Exchanges, the market price and other information for each of BSE and NSE has been given separately.

(i) The following tables set forth the reported high, low and average market prices and the trading volumes of the Equity Shares on the Stock Exchanges on the dates on which such high and low prices were recorded for the Financial Years ended March 31, 2017, March 31, 2016 and March 31, 2015:

BSE									
Financial Year	**High (₹)**	**Date of high**	**Number of Equity Shares traded on the date of high**	**Total volume of Equity Shares traded on date of high (₹ million)**	**Low (₹)**	**Date of low**	**Number of Equity Shares traded on the date of low**	**Total volume of Equity Shares traded on date of low (₹ million)**	**Average price for the year (₹)**
2017	91.35	March 31, 2017	577,809	52.70	42.39	April 7, 2016	338,523	14.70	67.53
2016	77.55	July 13, 2015	521,830	40.70	42.63	February 12, 2016	247,049	10.50	59.53
2015	73.84	December 31, 2014	238,832	18.00	43.36	April 30, 2014	1,510,584	69.20	62.55

(Source: www.bseindia.com)

NSE									
Financial Year	**High (₹)**	**Date of high**	**Number of Equity Shares traded on the date of high**	**Total volume of Equity Shares traded on date of high (₹ million)**	**Low (₹)**	**Date of low**	**Number of Equity Shares traded on the date of low**	**Total volume of Equity Shares traded on date of low (₹ million)**	**Average price for the year (₹)**
2017	91.45	March 31, 2017	7,827,606	714.91	42.29	April 7, 2016	4,453,874	193.08	67.54
2016	77.55	July 13, 2015	3,432,781	267.73	42.58	February 12, 2016	3,597,260	154.36	59.52
2015	73.94	November 28, 2014	9,678,876	737.01	43.38	April 30, 2014	15,306,840	703.66	62.56

(Source: www.nseindia.com)

Notes:
1. High, low and average prices are based on the daily closing prices.
2. In the case of a year, average represents the average of the closing prices of all trading days of each year presented.

(ii) The following tables set forth the reported high, low and average market prices and the trading volumes of the Equity Shares on the Stock Exchanges on the dates on which such high and low prices were recorded during each of the last six months:

BSE									
Month year	**High (₹)**	**Date of high**	**Number of Equity Shares traded on date of high**	**Total volume of Equity Shares traded on date of high (₹ million)**	**Low (₹)**	**Date of low**	**Number of Equity Shares traded on date of low**	**Total volume of Equity Shares traded on date of low (₹ million)**	**Average price for the month (₹)**
May 2017	118.30	May 9, 2017	934,323	109.50	107.30	May 24, 2017	1,681,185	183.50	113.07
April 2017	107.45	April 28, 2017	7,231,034	749.30	87.85	April 7, 2017	521,202	46.20	92.73
March 2017	91.35	March 31, 2017	577,809	52.70	84.25	March 8, 2017	591,211	49.80	87.55

BSE									
Month year	**High (₹)**	**Date of high**	**Number of Equity Shares traded on date of high**	**Total volume of Equity Shares traded on date of high (₹ million)**	**Low (₹)**	**Date of low**	**Number of Equity Shares traded on date of low**	**Total volume of Equity Shares traded on date of low (₹ million)**	**Average price for the month (₹)**
February 2017	87.35	February 28, 2017	1,797,542	156.00	79.45	February 1, 2017	846,432	66.50	83.74
January 2017	78.65	January 25, 2017	536,398	42.10	65.80	January 4, 2017	239,986	15.80	73.24
December 2016	71.10	December 9, 2016	523,687	37.20	62.30	December 26, 2016	428,276	27.10	67.90

(Source: www.bseindia.com)

NSE									
Month year	**High (₹)**	**Date of high**	**Number of Equity Shares traded on date of high**	**Total volume of Equity Shares traded on date of high (₹ million)**	**Low (₹)**	**Date of low**	**Number of Equity Shares traded on date of low**	**Total volume of Equity Shares traded on date of low (₹ million)**	**Average price for the month (₹)**
May 2017	118.55	May 8, 2017	16,344,872	1,939.80	107.30	May 24, 2017	8,820,452	952.53	113.12
April 2017	107.60	April 28, 2017	75,605,938	7,841.54	87.85	April 7, 2017	10,143,140	899.71	92.76
March 2017	91.45	March 31, 2017	7,827,606	714.91	84.30	March 8, 2017	4,694,631	394.99	87.56
February 2017	87.35	February 28, 2017	23,920,035	2,075.45	79.35	February 1, 2017	12,935,817	1,018.81	83.78
January 2017	78.80	January 25, 2017	12,644,279	994.99	65.75	January 4, 2017	3,698,802	244.25	73.24
December 2016	71.20	December 9, 2016	5,115,520	448.06	62.40	December 26, 2016	6,304,513	323.64	67.92

(Source: www.nseindia.com)

Notes: Average price based on average of daily closing price for the period.
Notes:
1. High, low and average prices are based on the daily closing prices.
2. In the case of a month, average represents the average of the closing prices of all trading days of each month presented.

(iii) The following table set forth the details of the number of Equity Shares traded and the turnover during the last six months and the Financial Years ended March 31, 2017, 2016 and 2015 on the Stock Exchanges:

Period	**Number of Equity Shares Traded**		**Turnover (In ₹million)**	
	BSE	**NSE**	**BSE**	**NSE**
Year ended March 31, 2017	219,102,871	2,197,910,849	15,163.33	151,806.77
Year ended March 31, 2016	108,173,420	1,149,471,701	6,668.85	70,059.94
Year ended March 31, 2015	212,782,766	1,994,340,340	13,296.91	127,615.23
May 2017	28,282,598	305,242,957	3,225.70	34,822.85
April 2017	17,315,272	195,339,789	1,676.90	18,849.92
March 2017	15,404,178	183,841,858	1,353.31	16,180.28
February 2017	16,512,750	214,389,777	1,387.20	18,004.21
January 2017	20,509,729	197,543,913	1,513.64	14,742.82
December 2016	18,068,903	138,206,621	1,252.27	9,443.44

(Source: www.bseindia.com and www.nseindia.com)

(iv) The following table sets forth the market price on the Stock Exchanges on May 2, 2017, the first working day following the approval of our Board of Directors for the Issue:

BSE						NSE					
Open	**High**	**Low**	**Close**	**Number of Equity Shares traded**	**Volume (₹ million)**	**Open**	**High**	**Low**	**Close**	**Number of Equity Shares traded**	**Volume (₹ million)**
110.90	115.30	110.00	112.55	5,036,179	571.60	110.00	115.35	110.00	112.50	52,498,477	5,955.87

(Source: www.bseindia.com and www.nseindia.com)

USE OF PROCEEDS

The gross proceeds from the Issue are approximately ₹25,000 million. After deducting the Issue expenses of approximately ₹350 million, the net proceeds of the Issue will be approximately ₹24,650 million (the "**Net Proceeds**").

Subject to compliance with applicable laws and regulations, our Bank intends to use the Net Proceeds towards augmenting our Bank's Tier I Capital to support growth plans and to enhance the business our Bank and for other general corporate purposes.

Since, the Net Proceeds of the Issue are proposed to be utilised towards augmenting our Bank's Tier I capital and not for implementing any project, the following disclosure requirements are not applicable:

(i) break-up of cost of the project;
(ii) means of financing such project; and
(iii) proposed deployment status of the proceeds at each stage of the project

None of our Directors are making any contribution either as a part of the Issue or separately in furtherance of the use of proceeds.

CAPITALISATION STATEMENT

The following table sets forth our Bank's capitalization and total debt as at March 31, 2017 on a consolidated and standalone basis and as adjusted for the Issue. This table should be read in conjunction with the sections entitled "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and "*Financial Statements*" on pages 78 and 220, respectively.

Consolidated basis

(in ₹ million)

Particulars	**As at March 31, 2017 (on a standalone basis)**		**As at March 31, 2017 (on a consolidated basis)**	
	(Audited) Unadjusted	**(Audited) Adjusted for the Issue**	**(Audited) Unadjusted**	**(Audited) Adjusted for the Issue**
Shareholders' Funds				
- Share Capital	3,448.09	3,879.12	3,448.09	3,879.12
- Reserves and Surplus	85,975.73	110,544.70	86,065.61	110,634.58
Total Shareholders' Funds* (A)	**89,423.82**	**114,423.82**	89,513.70	**114,513.70**
Liabilities				
- Deposits	9,76,645.62	976,645.62	9,76,620.76	976,620.76
- Borrowings	58,973.23	58,973.23	63,454.93	63,454.93
- Other Liabilities and Provisions	24,726.65	24,726.65	25,267.98	25,267.98
Total Liabilities (B)	**10,60,345.50**	**1,060,345.50**	**10,65,343.67**	**1,065,343.67**
Total Capitalisation (A+B)	**11,49,769.32**	**1,174,769.32**	**11,54,857.37**	**1,179,857.37**

**Notes:*

(1) As adjusted for the number of Equity Shares issued in the Issue. However, this does not give effect to the Equity Shares issued and allotted by our Bank post March 31, 2017 and up to the date of this Placement Document, pursuant to exercise of options granted under its ESOS 2010.

(2) As on the date of this Placement Document, 71,802,986 stock options are outstanding under ESOS 2010.

(3) Adjustments do not include Issue related expenses.

CAPITAL STRUCTURE

The Equity Share capital of our Bank as of the date of this Placement Document is set forth below:

(In ₹, except share data)

	Particulars	Aggregate value at face value
A	**AUTHORISED SHARE CAPITAL**	
	2,500,000,000 Equity Shares	5,000,000,000
B	**ISSUED CAPITAL BEFORE THE ISSUE**	
	1,728,120,426 Equity Shares	3,456,240,852
C	**SUBSCRIBED, CALLED-UP AND PAID-UP CAPITAL BEFORE THE ISSUE**	
	1,726,771,381(1)	3,453,542,762
D	**PRESENT ISSUE IN TERMS OF THIS PLACEMENT DOCUMENT**	
	Up to 215,517,241 Equity Shares(2)	431,034,482
E	**ISSUED CAPITAL AFTER THE ISSUE**	
	1,943,637,667 Equity Shares	3,887,275,334
F	**SUBSCRIBED, CALLED-UP AND PAID-UP CAPITAL AFTER THE ISSUE**	
	1,942,288,622 Equity Shares	3,884,577,244
F	**SECURITIES PREMIUM ACCOUNT**	
	Before the Issue	25,392,687,240.43
	After the Issue	49,961,652,714.43

(1) *Out of 1,728,120,426 Equity Shares issued by our Bank, 1,349,045 Equity Shares have been kept under abeyance consequent to injunction orders from various courts.*

(2) *The Issue has been authorised by our Board of Directors on April 28, 2017 and by our Shareholders pursuant to their resolution dated June 7, 2017 passed through postal ballot.*

The following table sets forth details of allotments of Equity Shares our Bank since the date of inception:

Date of Allotment	No. of Equity Shares	Face Value (₹)	Issue price (₹) unless stated otherwise	Nature of Consideration	Cumulative number of Equity Shares(6)
1949(1)	7,143	20	20	Cash	7,143
1959	6,455	20	20	Cash	13,598
1960	5,688	20	20	Cash	19,286
1962	5,714	20	20	Cash	25,000
January 27, 1965	1,659	20	20	Other than Cash	26,659
1973	26,659	20	20	Cash	53,318
1974	21,682	20	20	Cash	75,000
1975	49,500	20	20	Cash	124,500
1976	500	20	20	Cash	125,000
1977	375,000	20	20	Cash	500,000
1978	125,000	20	20	Cash	625,000
1979	69,286	20	20	Cash	694,286
1980	4,377	20	20	Cash	698,663
1986	464,598	20	20	Cash	1,163,261
1987	18,984	20	20	Cash	1,182,245
1989	317,420	20	20	Cash	1,499,665
1990	335	20	20	Cash	1,500,000
1990	Sub-division of the face value of Equity Shares from ₹20 to ₹10				3,000,000
1991	2,050,000	10	10	Cash	5,050,000
June 12, 1993	2,669,913(2)	10	35	Cash	7,719,913
June 12, 1993	377,981(2)	10	35	Cash	8,097,894
June 12, 1993	2,667,000	10	60	Cash	10,764,894
June 12, 1993	333,000	10	60	Cash	11,097,894
May 18, 1994	3,718,100	10	90	Cash	14,815,994

Date of Allotment	No. of Equity Shares	Face Value (₹)	Issue price (₹) unless stated otherwise	Nature of Consideration	Cumulative number of Equity Shares(6)
July 4, 1994	250	10	35	Cash	14,816,244
March 16, 1996	7,353,240	10	150	Cash	22,169,484
June 20, 1996	350	10	35	Cash	22,169,834
February 28, 2002	200	10	35	Cash	22,170,034
November 30, 2004	700	10	150	Cash	22,170,734
December 29, 2004	-	-	-	-	21,867,989(3)
December 29, 2004	43,627,490	10	-	Other than Cash	65,495,479
March 31, 2005	107,288	10	-	Other than Cash	65,602,767
December 8, 2005	200	10	150	Cash	65,602,967
December 8, 2005	400	10	-	Other than Cash	65,603,367
January 31, 2006	18,000,000(4)	10	US$3.97	Cash	83,603,367
February 6, 2006	2,000,000(5)	10	US$3.97	Cash	85,603,367
May 4, 2006	100	10	150	Cash	85,603,467
May 4, 2006	200	10	-	Other than Cash	85,603,667
February 1, 2008	85,429,763	10	250	Cash	171,033,430
March 11, 2011	14,071	10	10	Cash	171,047,501
January 29, 2013	7,022	10	420.65	Cash	171,054,523
March 22, 2013	4,609	10	420.65	Cash	171,059,132
July 31, 2013	3,225	10	420.65	Cash	171,062,357
October 18, 2013	Sub-division of face value of Equity Shares from ₹10 to₹ 2				855,311,785
May 7, 2014	3,000	2	84.13	Cash	855,314,785
	30,855	2	84.13	Cash	855,349,705
June 16, 2014	4,065	2	94.80	Cash	
	42,645	2	84.13	Cash	855,399,400
July 2, 2014	7,050	2	94.80	Cash	
	59,110	2	84.13	Cash	855,468,530
July 24, 2014	10,020	2	94.80	Cash	
	49,990	2	84.13	Cash	855,518,520
August 25, 2014	9,535	2	94.80	Cash	
August 28, 2014	3,000	2	50.00	Cash	855,531,055
	36,985	2	84.13	Cash	855,574,155
	3,795	2	94.80	Cash	
September 17, 2014	2,320	2	57.25	Cash	
	59,245	2	84.13	Cash	855,678,515
	8,735	2	94.80	Cash	
October 21, 2014	36,380	2	57.25	Cash	
	120,385	2	84.13	Cash	855,863,225
	19,850	2	94.80	Cash	
November 20, 2014	44,475	2	57.25	Cash	
	160,520	2	84.13	Cash	856,099,054
	38,399	2	94.80	Cash	
December 15, 2014	36,910	2	57.25	Cash	
	118,105	2	84.13	Cash	856,285,774
	35,315	2	94.80	Cash	
January 24, 2015	33,300	2	57.25	Cash	
	86,486	2	84.13	Cash	856,410,085
	17,955	2	94.80	Cash	
February 19, 2015	19,870	2	57.25	Cash	
	179,552	2	84.13	Cash	856,655,197
	40,955	2	94.80	Cash	
March 27, 2015	24,605	2	57.25	Cash	
	124,700	2	84.13	Cash	856,820,662
	21,095	2	94.80	Cash	
April 21, 2015	19,670	2	57.25	Cash	
	217,970	2	84.13	Cash	857,240,582
	47,085	2	94.80	Cash	
May 15, 2015	154,865	2	57.25	Cash	
	487,274	2	84.13	Cash	857,945,206
	119,235	2	94.80	Cash	
June 25, 2015	98,115	2	57.25	Cash	
July 10, 2015	857,945,206	2	-	Bonus	1,715,890,412
	384,710	2	42.07	Cash	1,716,418,992
August 17, 2015	74,750	2	47.40	Cash	

Date of Allotment	No. of Equity Shares	Face Value (₹)	Issue price (₹) unless stated otherwise	Nature of Consideration	Cumulative number of Equity Shares[6]
	69,120	2	28.63	Cash	
September 3, 2015	50,000	2	42.07	Cash	1,716,468,992
	643,276	2	42.07	Cash	1,717,438,394
	144,845	2	47.40	Cash	
	177,181	2	28.63	Cash	
September 23, 2015	4,100	2	62.00	Cash	
	179,355	2	42.07	Cash	1,717,793,024
	35,310	2	47.40	Cash	
	123,715	2	28.63	Cash	
October 19, 2015	16,250	2	62.00	Cash	
November 9, 2015	21,500	2	42.07	Cash	1,717,814,524
	240,795	2	42.07	Cash	1,718,350,344
	91,615	2	47.40	Cash	
	198,010	2	28.63	Cash	
November 25, 2015	5,400	2	62.00	Cash	
	142,550	2	42.07	Cash	1,718,611,559
	53,765	2	47.40	Cash	
	63,975	2	28.63	Cash	
January 2, 2016	925	2	62.00	Cash	
	55,110	2	42.07	Cash	1,718,753,684
	19,395	2	47.40	Cash	
	66,820	2	28.63	Cash	
January 22, 2016	800	2	62.00	Cash	
	64,460	2	42.07	Cash	1,718,889,459
	17,000	2	47.40	Cash	
February 24, 2016	54,315	2	28.63	Cash	
	23,480	2	42.07	Cash	1,718,946,844
	10,230	2	47.40	Cash	
	22,275	2	28.63	Cash	
March 28, 2016	1,400	2	62.00	Cash	
April 18, 2016	128,500	2	42.07	Cash	1,719,075,344
	38,900	2	42.07	Cash	1,719,211,699
	9,935	2	47.40	Cash	
	86,020	2	28.63	Cash	
May 18, 2016	1,500	2	62.00	Cash	
	55,930	2	42.07	Cash	1,719,375,534
	17,870	2	47.40	Cash	
	89,335	2	28.63	Cash	
June 17, 2016	700	2	62.00	Cash	
	119,225	2	42.07	Cash	1,719,646,709
	59,420	2	47.40	Cash	
	88,130	2	28.63	Cash	
July 27, 2016	4,400	2	62.00	Cash	
	131,560	2	42.07	Cash	1,719,858,659
	34,125	2	47.40	Cash	
	43,515	2	28.63	Cash	
August 20, 2016	2,750	2	62.00	Cash	
	379,225	2	42.07	Cash	1,720,481,609
	99,755	2	47.40	Cash	
	126,420	2	28.63	Cash	
September 22, 2016	17,550	2	62.00	Cash	
	289,476	2	42.07	Cash	1,721,131,975
	157,965	2	47.40	Cash	
	165,925	2	28.63	Cash	
October 24, 2016	37,000	2	62.00	Cash	
	291,210	2	42.07	Cash	1,721,651,625
	110,190	2	47.40	Cash	
	97,150	2	28.63	Cash	
November 18, 2016	21,100	2	62.00	Cash	
	289,290	2	42.07	Cash	1,722,142,605
	86,920	2	47.40	Cash	
	98,595	2	28.63	Cash	
December 20, 2016	16,175	2	62.00	Cash	

Date of Allotment	No. of Equity Shares	Face Value (₹)	Issue price (₹) unless stated otherwise	Nature of Consideration	Cumulative number of Equity Shares[(6)]
January 17, 2017	196,280	2	42.07	Cash	1,722,454,150
	51,445	2	47.40	Cash	
	50,935	2	28.63	Cash	
	12,885	2	62.00	Cash	
February 22, 2017	283,405	2	42.07	Cash	1,722,946,968
	107,050	2	47.40	Cash	
	84,138	2	28.63	Cash	
	18,225	2	62.00	Cash	
March 24, 2017	639,130	2	42.07	Cash	1,724,045,414
	220,096	2	47.40	Cash	
	183,470	2	28.63	Cash	
	55,750	2	62.00	Cash	
April 27, 2017	658,940	2	42.07	Cash	1,725,293,574
	343,490	2	47.40	Cash	
	180,080	2	28.63	Cash	
	65,650	2	62.00	Cash	
May 20, 2017	768,210	2	42.07	Cash	1,726,771,381
	330,505	2	47.40	Cash	
	279,652	2	28.63	Cash	
	99,440	2	62.00	Cash	

(1) Our Bank was incorporated on April 23, 1931 as a joint stock company and subsequently in 1949 became a company limited by shares

(2) Consisted of an offering of 2,525,000 Equity Shares in the issue 1: 2 to the existing shareholders of our Bank and 525,000 Equity Shares to the employees of our Bank. Of the above 377,981 Equity Shares were allotted to employees of our Bank, and 26,70,713 Equity Shares which included Equity Shares renounced by the employees were allotted to the existing shareholders of our Bank.

(3) Forfeiture of 302,745 Equity Shares as calls in arrears

(4) Equity Shares issued pursuant to issue of GDRs

(5) Equity Shares issued pursuant to overallotment under GDRs

(6) Allotment of 1,349,045 Equity Shares have been kept in abeyance consequent to injunction orders from various courts.

Our Bank has not been able to trace the corporate records in relation to the allotments made prior to 2006. For further details see "*Risk Factors - Certain of our historical corporate records in connection with the allotment of our Equity Shares are not traceable.*" on page 51.

DIVIDENDS

The declaration and payment of dividends, if any, will be recommended by our Board of Directors and approved by our Shareholders at their discretion, subject to the provisions of the Articles of Association, the Companies Act and the Banking Regulation Act. Our Board has framed a dividend distribution policy in accordance with Regulation 43A of SEBI Listing Regulations ("**Dividend Policy**").

Subject to certain conditions laid down by Section 123 of the Companies Act 2013, no dividend can be declared or paid by a company for any fiscal, except, among other things, out of the profits of the company for that year, calculated in accordance with the provisions of the Companies Act 2013 or out of the profits of the company for any previous fiscal arrived at as laid down by the Companies Act 2013. Further, under the Companies Act 2013, a company is not permitted to declare any dividends unless carried over previous losses and depreciation not provided in previous year or years are set off against the profit of the company for the current year.

Our Bank shall be eligible to declare dividends only upon compliance with the following minimum prudential requirements:

(i) Our Bank should have CRAR of at least 9% for preceding two completed years and the accounting year for which we propose to declare dividend;
(ii) Our Bank should have Net NPA less than 7% (in case our Bank does not meet the above CRAR norm, but has a CRAR of at least 9% for the accounting year for which it proposes to declare dividend, we would be eligible to declare dividend provided our Net NPA ratio is less than 5%) ;
(iii) Our Bank should comply with the provisions of Section 15 and 17 of the Baking Regulations Act;
(iv) Our Bank should comply with the prevailing regulations/ guidelines issued by RBI, including creating adequate provisions for impairment of assets and staff retirement benefits, transfer of profits to statutory reserves, etc;
(v) The proposed dividend should be payable out of the current year's profit; and
(vi) The RBI has not placed any explicit restrictions on the bank for declaration of dividends

Subject to compliance with the aforementioned eligibility criteria, in terms of the Dividend Policy, our Board shall take into account the interest of all stakeholders and the following aspects while deciding on the proposal for declaring dividend:

(i) The interim dividend paid, if any;
(ii) The risk based supervision findings of RBI with regard to divergence in identification of NPAs, shortfall in provisioning;
(iii) The auditors' qualification pertaining to the statement of accounts;
(iv) The Basel III capital requirements; and
(v) Our Bank's long term growth plans.

The following table sets out, for the periods indicated, the dividends paid / payable by us:

Fiscal Year for which dividend was declared	**Rate of dividend**	**Dividend per Equity Share**	**Total amount of dividend paid**
	(Percentage)	**(₹)**	**(₹ in million)**
2015	110	2.20	1,885.92
2016	35	0.70	1,203.75
2017*	45	0.90	1,551.65

**Subject to approval of the shareholders of our Bank*

The amounts paid as dividends in the past are not necessarily indicative of our dividend policy or dividend amounts, if any, in the future.

For a summary of certain Indian consequences of dividend distributions to shareholders, see the section "*Statement of Tax Benefits*" on page 194.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of our financial condition and results of operations together with our Financial Statements for the years ended March 31, 2017, 2016 and 2015 included in this Placement Document. Please also refer to the sections "Selected Financial Information" and "Selected Statistical Information" included in this Placement Document. Unless otherwise specified, references herein to the "Bank" or "standalone" are to the Bank on a standalone basis and references herein to "we", "our", "us" and the "Group" are to the Bank on a consolidated basis. All financial figures presented in this section are based on our consolidated financial statements unless otherwise specified

We prepare our financial statements in accordance with Indian GAAP. Our financial statements reflect applicable statutory requirements and regulatory guidelines and accounting practices in India, including the Accounting Standards specified under Section 133 of the Companies Act, 2013, read with Paragraph 7 of the Companies (Accounts) Rules, 2014, and Companies (Accounting Standards) Amendment Rules, 2016, in so far as they apply, and guidelines issued by the Reserve Bank of India ("RBI"). For the purposes of a comparative analysis in the discussion below, previous years' figures have been reclassified and regrouped wherever necessary.

Our fiscal year ends on March 31, of each year. Accordingly, all references to a particular fiscal year are to the 12-month period ended on March 31, of that year. Unless otherwise specified, all information regarding cost, yield and average balances is based on the fortnightly average of the Bank's standalone balances outstanding during the relevant period.

This discussion contains forward-looking statements and reflects our current views with respect to future events and financial performance. Actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors, including those set forth under the section "Forward-Looking Statements" on page 15, the section "Risk Factors" on page 41 and elsewhere in this Placement Document. Certain portions of the following discussion include information publicly available from the RBI and other sources.

Introduction

Overview

We are a leading private sector bank in India. We were originally incorporated in 1931 as the "Travancore Federal Bank Limited Nedumpram under the Travancore Companies Regulation. On December 2, 1949, the name was changed to The Federal Bank Limited. In 1959, we were licensed under the Banking Regulation Act, 1949, and thereafter we became a scheduled commercial bank under the Second Schedule of Reserve Bank of India Act, 1934.

We offer a wide range of products and services to retail, small and medium scale enterprises ("**SME**") agricultural and corporate customers through a variety of delivery channels. As of March 31, 2017, we had 1,252 bank branches and 1,667 ATMs. Our consolidated balance sheet size has increased from ₹853,418.93 million as of March 31, 2015 to ₹1,154,857.35 million as of March 31, 2017. Our total consolidated deposits have grown from ₹708,226.87 million as of 31 March 2015 to ₹976,620.76 million as of March 31, 2017. Our total consolidated advances have increased from ₹515,291.87 million as on March 31, 2015 to ₹740,862.31 million as on March 31, 2017.

While we were historically focused largely on the state of Kerala, we have expanded our presence throughout India with 1,252 bank branches across India. Our robust practice across India is complemented by our international presence. We are developing our international presence by building a network outside India to cater to the NRI market, with representative offices in Dubai and Abu Dhabi. We have also obtained approval to open a further representative office in Bahrain and a branch in the Dubai International Financial Centre ("**DIFC**"). We have also recently opened an international banking unit in the Gujarat International Finance Tec-City ("**GIFT City**").

We offer banking products and services in the Retail, SME, Agricultural and Corporate and Wholesale banking sectors. Our retail asset products include home loans, personal loans, auto loans, educational loans, mortgage loans, business loans as well as security-backed loans of various types. Our SME portfolio consists primarily of loans and advances to manufacturing and food processing enterprises, educational institutions, healthcare providers, the services sector, traders and professionals. Our loans to the agricultural sector include loans to individual farmers, group of farmers, agriculture businesses and agriculture corporates. For the corporate and wholesale banking sector, we offer various loan and fee-based products and services to large corporations, medium-sized enterprises and certain specified sectors, including the agriculture sector which includes an assortment of banking products and services including working capital, term finance, trade finance, structured financial services, foreign exchange and syndication services.

We offer a number of liability products to our retail customers, including NRIs, such as saving accounts, time deposits and recurring deposits. These products are offered with certain variations as customized products to certain target groups such as senior citizens, students and salaried employees. We also offer other products and services such as debit and credit cards, online bill payment services and cash management services. We market third-party products, such as mutual funds and general and life insurance policies such as the IDBI-Federal Life insurance policy. A wide range of liability and asset products and services are also offered specifically to NRIs.

We also provide a number of digital offerings including the "Fedbook Selfie" application for digital account opening and the 'Lotza' application, which is a unified payment interface application, to take advantage of the increasing availability of internet access and broadband connectivity across India. Our investment into our digital strategy will see the introduction of more products and the enhancement in the security features of our existing products. We believe that our comprehensive suite of secure digital products will enhance our competitiveness.

Our principal business activities are divided into five segments, namely retail banking, SME banking, agricultural banking, corporate and wholesale banking, treasury and other banking operations, with a balanced portfolio mix across these segments, including non-resident Indians ("**NRI**"). As of March 31, 2017, our retail advances accounted for 30.41% of total gross advances, SME advances accounted for 23.57% of total gross advances, agriculture advances accounted for 10.02% of total gross advances and corporate advances accounted for 36.01% of total gross advances.

Factors Affecting our Results of Operations

Numerous factors affect our results of operations and financial condition. The following factors are of particular importance:

India's Macroeconomic Environment

India is one of the fastest growing major economies in the world. Since 2013, India has implemented macroeconomic adjustments, particularly as it sought to reduce its fiscal deficit and current account deficit. India's economic reforms continued in fiscal year 2017, which was marked by two major domestic policy developments, namely demonetisation of higher-denomination notes and the passage of a Constitutional amendment paving way for the implementation of a goods and services tax.

Based on data from the Central Statistical Office of India's Ministry of Statistics and Programme Implementation (the "**Central Statistical Office**"), India's GDP growth for fiscal year 2016 increased to 7.9% from 7.2% in fiscal year 2015, and gross value added ("**GVA**") for fiscal year 2016 increased to 7.8% from 6.9% for fiscal year 2015. CSO data depicts that this growth was led by increases in private consumption demand, even as capital formation remained weak.

However, as per advanced estimates from the Central Statistical Office, India's GDP growth slowed in fiscal year 2017 to 7.1% and GVA growth slowed to 6.7% for fiscal year 2017. On the positive side, implementation of salary increases for central government employees, based on the recommendations of the Seventh Central Pay Commission, helped to buoy the economy. Additionally, a strong monsoon season helped to increase agricultural production, also reducing food-based inflation. However, private investment remained weak in fiscal year 2017, and demonetisation seemed to have further added, albeit marginally, to slowdown in growth.

India has seen a decline in its inflation since fiscal year 2015, helped by tighter monetary policy, weak domestic demand and fiscal consolidation. The consumer price index ("**CPI**") inflation has fallen from a high of 6.0% in fiscal year 2015 to 4.9% in fiscal year 2016, despite another year of drought. Food inflation declined, aided by a slight increase in minimum support price for food grains and better food supply management by the government. Inflation fell further in fiscal year 2017, with CPI inflation of 4.5%, largely driven by a sharp decrease in food inflation due to the strong monsoon. Core CPI inflation has picked up to 4.7% in fiscal year 2017 as against 4.3% in fiscal year 2016. The deflationary effect was more pronounced in the wholesale price index ("**WPI**"), which decreased by 2.5% for fiscal year 2016 as compared to an increase of 2.0% in fiscal year 2015. WPI inflation increased in fiscal year 2017 due to reversal of favourable base effect and increases in oil and other commodity prices.

The Reserve Bank of India (RBI) had cut policy rates by 175bps since January 2015 due to steady fall in CPI inflation. However in December 2016 monetary policy meeting, RBI's tone turned relatively hawkish and RBI changed its stance from accommodative to neutral in the February 2017 policy, premised on upside risk to inflation, limited transient growth drag owing to demonetisation and also global risks.

India has reduced its fiscal deficit over the past few years, as well as shifted expenditures away from current to capital expenditures. The fiscal deficit has come down from 4.1% of GDP in fiscal year 2015 to 3.5% in fiscal year 2017. In fiscal year 2017, the government was able to stick to the budgeted fiscal deficit target of 3.5% of GDP. This was helped by additional tax revenues and achievement of estimated non-tax revenues, despite a shortfall in spectrum auction receipts and higher-than-budgeted expenditure. In its budget presented on 1 February 2017, the government announced that the Fiscal Responsibility and Budget Management Committee has recommended 3% fiscal deficit for the next three years, keeping in mind the sustainable debt target and a need for public investment. The fiscal deficit for 2017-18 is targeted at 3.2% of GDP.

Tighter money market liquidity conditions were one of the impediments to transmission of policy rate cuts post 2015. Liquidity improved during the first half of fiscal year 2016, with average liquidity being in surplus between July and September, but it again deteriorated sharply in the second half of fiscal year 2016 and by March 31, 2016, the liquidity deficit was ₹3.02 trillion. In April 2016, RBI announced plans for a new liquidity framework to align liquidity conditions with accommodative monetary stance for smoother monetary policy transmission over the medium term. Liquidity eased towards surplus by the end of first half of fiscal year 2017, and demonetisation in November 2016 led to a significant increase in bank deposits and a surge in liquidity surplus.

The banking system liquidity stood at a surplus of ₹ 3.13 trillion as of March 31, 2017, as compared to a deficit of ₹3.02 trillion deficit as of March 31, 2016. Furthermore, helped by easing policy rates and surplus liquidity, as well as global trends, Indian government bond yields softened in fiscal year 2017, with the benchmark 10-year paper rate standing at 6.68% to end the fiscal year, easing around 79bps from fiscal year 2016.

India has come a long way over the past few years in terms of external sector adjustments, with current account deficits decreasing and balance of payments increasing. Despite moderation in India's exports, India's current account deficit has contracted from US$ 88.2 billion (4.8% of GDP) in fiscal year 2013 to US$26.8 billion in fiscal year 2015 (1.3% of GDP) and further to USS$22.2 billion (1.1% of GDP) in fiscal year 2016. The trend has further continued with the current account deficit further narrowing to US$11.6 billion (0.7% of GDP) in the first nine months of fiscal year 2017. The balance of payment surplus has remained healthy owing to better foreign portfolio inflows and steady FDI flows. Foreign exchange reserves have risen to US$370 billion as of March 31, 2017 from US $356 billion as of March 31, 2016 and US $341.4 billion as of end- March 2015).

The Indian Rupee was largely resilient against the US dollar in fiscal year 2015, and depreciated marginally by an average of 1.1%. However, emerging market sell-offs following global uncertainty owing to the devaluation of the Chinese Yuan and changes in China's foreign exchange policy, as well as expectations of an interest rate increase by the US Federal Reserve, led the Rupee to decline against the US dollar overall for fiscal year 2016. In fiscal year 2017, a variety of factors, including India's improving macroeconomic fundamentals, the outcome of the US presidential election, foreign portfolio investment flows into India and the passage of India's GST bill, led to volatilities in the Rupee, particularly in the third and fourth quarters, with the Rupee ending fiscal year 2017 on a strong note. Rupee ended the fiscal year 2017 at 64.85, rallying by 4.7% in end-March 2017 from end-December 2016 and 2.2% from end-March 2016. However on an average, Rupee depreciated 2.4% against US dollar in fiscal year 2017 from fiscal year 2016.

For more details, please refer to the "Industry Overview" section at 112.

Health of the Indian banking sector

The Indian banking sector is highly regulated and monitored, which contributes to its relative stability during uncertain economic periods.

According to the RBI's financial stability report, December 2016 ("**RBI Financial Stability Report**"), global recovery remains fragile amidst slowdown in trade, rising tendency towards protectionism and slower growth in productivity. Global financial markets continue to face elevated levels of uncertainty, notwithstanding the resilience exhibited in overcoming the outcomes of Brexit referendum and the US presidential election. In India, macroeconomic conditions remained stable with significant moderation in inflation. Moreover, reduced policy uncertainty and legislative and tax reforms such as implementation of goods and services tax and enactment of bankruptcy laws are expected to reinforce the benefits from the strong macro fundamentals and the withdrawal of legal tender status of specified bank notes could potentially transform the Indian economy. While the overall risks to the corporate sector moderated in 2016-17, concerns remain over its recovery. Domestic debt and equity markets witnessed foreign portfolio investment outflows since October 2016 reflecting expectations of increase in the interest rates by the U.S. Federal Reserve. Moreover, the recent decision in March 2017 by the U.S. Federal Reserve to again raise interest rates may result in further foreign portfolio investment outflows.

The RBI Financial Stability Report noted that among financial institutions, asset quality of public sector banks, scheduled urban co-operative banks and non-banking financial companies has deteriorated. The banking stability indicator showed that risks to the banking sector remained elevated. Though the capital adequacy of banks was above regulatory requirements, continuous deterioration in their asset quality, low profitability and liquidity contributed to the high level of overall risk. The gross NPA ratio of scheduled commercial banks increased to 9.1% in September 2016 from 7.8% in March 2016, pushing the overall stressed advances ratio to 12.3% from 11.5% during the same period. Large borrowers registered significant deterioration in their asset quality, whereas the restructured standard advances ratio declined during the same period. The capital to risk (weighted) assets ratio ("**CRAR**") of scheduled commercial banks remains unchanged during the first half of fiscal year 2016 while public sector banks continued to record the lowest CRAR among banks.

Our Bank's NPAs increased largely in line with the increased NPAs of scheduled commercial banks in fiscal year 2016, before decreasing again in fiscal year 2017 largely as a result of our efforts to improve our recovery processes. Our Bank's Net NPAs were 0.73%, 1.64% and 1.28% in fiscal years 2015, 2016 and 2017, respectively, and our Gross NPAs were 2.04%, 2.84% and 2.33% in fiscal years 2015, 2016 and 2017, respectively. Largely in line with the change in our Bank's NPAs, our Bank's annual credit costs (defined as loan loss provision made during the period divided by the opening gross advances for the period) increased from 0.46% in fiscal year 2015 to 1.07% in fiscal year 2016 and then decreased to 0.69% in fiscal year 2017.

Regulatory intervention

The banking industry in India is subject to extensive regulation by Governmental organizations and regulatory bodies such as the RBI and Securities and Exchange Board of India (SEBI). These regulations cover various aspects such as loans and advances, investments, deposits, risk management, foreign investment, corporate governance and market conduct, customer protection, foreign exchange management, capital adequacy, margin requirements, know-your customer and anti-money laundering, and provisioning for NPAs. The RBI also prescribes required levels of lending to "priority sectors" such as agriculture, which may expose us to higher levels of risk than we may otherwise face.

In recent years, existing rules and regulations have been modified, new rules and regulations have been enacted and reforms have been implemented, which are intended to provide tighter control and more transparency in India's banking and securities sectors. Any changes in the regulatory environment pertaining to the Indian financial services industry could have a significant impact on our operations and financial condition.

Monetary policy is heavily influenced by the condition of the Indian economy, and changes in the monetary policy affect the interest rates of our advances and deposits. The RBI responds to fluctuating levels of economic growth, liquidity concerns and inflationary pressures in the economy by adjusting its monetary policy. A monetary policy designed to combat inflation typically results in an increase in RBI lending rates.

Further, in addition to having gradually established more stringent capital adequacy requirements, the RBI has also instituted several prudential measures including an increase in risk weights for capital adequacy computation and general provisioning for certain types of asset classes. See "*Regulation and Policies*" on page 149.

In addition, on November 8, 2016, the Government of India announced the demonetisation of all existing ₹500 and ₹1000 banknotes. As a result, the Reserve Bank of India has withdrawn all the then prevailing ₹500 and ₹1000 banknotes as legal tender effective from November 9, 2016. This policy was introduced to, among other reasons, (i) lower cash circulation in the country as a means of counteracting corruption, which is often directly cash-linked and (ii) eliminate counterfeit money.

The immediately ensuing impact of demonetisation on our business was a sharp increase in our current accounts and savings accounts, and a short-term decrease in loan growth in some of our retail and SME loan books. We also saw an increase in our various digital channels.

RBI had allowed a 60 to 90 day dispensation on recognition of NPAs during demonetisation. Banks were permitted to defer the downgrade of accounts (across certain loans) that were standard on November 1, 2016 and would have become a NPA for any reason during the period from November 1, 2016 to December 31, 2016 by 60 to 90 days. The Bank was able to defer the downgrade of eligible accounts as a result of this dispensation beyond March 31, 2017. Downgrade of such accounts based on their overdue position would happen for the first time in our financial statements as of June 30, 2017.

See "*Risk Factors—Risks Relating to Regulation*"

Provisioning

Our profits are affected by the amounts provided against advances, investments and the related recovery and litigation costs. At a minimum, we make provisions in accordance with RBI guidelines, though we may provide in excess of RBI requirements to reflect our internal estimates of actual losses.

Pursuant to the revised "Prudential Guidelines on Restructuring of Advances by Banks and Financial Institutions" issued by the RBI on May 30, 2013, provisioning requirements on all new standard restructured assets increased to 5.00% with effect from June 1, 2013. This increased requirement for existing restructured standard assets has been gradually implemented, from provisioning of 3.5% with effect from March 31, 2014, to provisioning of 4.25% with effect from March 31, 2015 and to provisioning of 5.00% with effect from March 31, 2016. These provisions will apply for two years from the date of restructuring and in case of moratorium on payment of interest and principal after restructuring, such advances will attract provisions for the moratorium period and two years thereafter. In addition, NPAs when upgraded to standard attract a higher provision in the first year of being upgraded. The Bank's net restructured asset considered standard as of March 31, 2017 was ₹12.82 billion, equivalent to 1.75% of net advances.

In addition, the RBI in its circular dated April 18, 2017 prescribed additional provisions for standard advances higher than prescribed rates based on evaluation of risk and stress in various sectors. The Bank has placed a policy in this regard before the risk management committee of the Board.

Capital Requirements, Reserve Ratios and Liquidity Coverage Ratios

Since April 1, 2013, capital adequacy ratios prescribed by the RBI Basel III Capital Regulations have been implemented in phases. Under the RBI Basel III Capital Regulations, banks are required to improve the quantity, quality and transparency of their Tier I capital, enhance risk coverage and supplement the risk-based requirements with a leverage ratio. By March 2019, when the Basel III norms are fully implemented, the minimum total capital adequacy ratio (including the capital conservation buffer) required will be 11.5% of risk-weighted assets. The table below summarises the capital requirements under RBI Basel III Capital Regulations for banks in India:

	Regulatory Capital	As % of Risk Weighted Assets
(i)	Minimum Common Equity Tier I Ratio	5.50
(ii)	Capital Conservation Buffer (comprising Common Equity)	2.50
(iii)	Minimum Common Equity Tier I Ratio plus Capital Conservation Buffer (i)+(ii)	8.00
(iv)	Additional Tier I capital	1.50
(v)	Minimum Tier I capital adequacy ratio (i)+(iv)	7.00
(vi)	Tier II capital	2.00
(vii)	Minimum Total Capital Ratio (MTC) (v)+(vi)	9.00
(viii)	Minimum Total Capital Ratio plus Capital Conservation Buffer (vii)+(ii)	11.50

The capital adequacy requirements prescribed by the RBI's Basel III guidelines are more stringent than the requirements prescribed by the earlier guidelines and compliance with such requirements will have an impact on our financial results, including certain key indicators of financial performance, such as our return on equity. Banks will also be required to have an additional capital requirement of up to 2.5% of risk weighted assets if RBI announces the implementation of countercyclical capital buffer requirements.

Commercial banks in India are required to maintain statutory reserve requirements of Cash Reserve Ratio ("**CRR**") and Statutory Liquidity Ratio ("**SLR**"). As of the date of this Placement Document, the RBI requires a CRR of 4.0% of our net demand and time liabilities and an SLR of 20.50% of our demand and time liabilities, which will be decreased to 20.00% effective from June 24, 2017. The RBI has the authority to prescribe CRR without any ceiling limits and is not obliged to pay interest payments on CRR balances. For instance, during the period of demonetisation, the RBI introduced, effective from the fortnight beginning from November 16, 2016, an incremental CRR of 100% on the increase in net demand and time liabilities between September 16, 2016 and November 11, 2016. The same was withdrawn effective from the fortnight beginning December 10, 2016. RBI does not make any interest payments on CRR. Any increases in the CRR requirements could affect available funds for deployment in our operations and, consequently, our results of operations. Regarding the SLR, although it is intended to be a measure to maintain the bank's liquidity, it has adverse implications for the bank's ability to expand its credit. Changes in interest rates also impact the valuation of our SLR portfolio and thereby affect our profitability.

The liquidity coverage ratio ("**LCR**") stipulated by the Basel Committee became effective from January 1, 2015. The LCR is being implemented in a phased manner, starting with a minimum requirement of 60% from January 1, 2015 and reaching 100% on January 1, 2019. As of the date of this Placement Document, banks in India are required to maintain liquidity buffers in the form of high quality liquid assets of 80% with effect from January 1, 2017. This is scheduled to increase to 90% with effect from January 1, 2018, and to 100% with effect from January 1, 2019. The current requirement is to maintain incremental liquidity buffer of high quality liquid assets, in addition to the extant reserves requirement.

The LCR regime requires that banks maintain appropriate liquidity buffers to cover for possible outflows over a period of 30 days under a significant stress scenario. While LCR, in addition to extant reserve requirements, provides higher safety, it also adds the drag of higher liquidity cost and hence lower profitability. The bank’s average LCR for the latest quarter of fiscal year 2017 was 157.40%, above the current requirement of 80%.

Interest Rates

The magnitude and timing of interest rate changes in the asset and liability markets as well as the relative steepness of the rate curves, have a significant impact on our net interest margins and our profitability. Movements in short- and long-term interest rates affect our interest earned and interest expense as well as the level of gains and losses on our securities portfolio. Our yields and costs are functions of our lending and deposit rates, interbank rates, yields on government and other debt securities, and costs of term debts and other borrowings, which are generally linked to the interest rate environment. In addition, lending and deposit rates are significantly influenced by competition in the markets in which we operate.

Prior to April 2016, bank loans were priced by reference to a base rate. With effect from April 1, 2016, RBI guidelines replaced the base rate-link loan pricing with a new regime based on the marginal cost of funds based lending rate ("**MCLR**"). Accordingly, Rupee advances sanctioned or renewed after April 1, 2016 are generally priced with reference to MCLR of different maturities. Commercial banks must review and publish their MCLR of different maturities every month.

We have historically had a relatively low duration mismatch between our assets and liabilities, largely because the majority of the Bank's advances were either floating rate advances or short-term fixed rate advances. This low mismatch has helped us to pass on, in most cases, any changes in interest rates to our customers and broadly maintain our margins.

Policy rates

The following table sets forth the RBI's reverse repo rate, the repo rate and marginal standing facility as of the indicated dates:

	Reverse Repo Rate	Repo Rate	Marginal Standing Facility
		(*percentages*)	
As of March 31, 2015	6.50	7.50	8.50
As of March 31, 2016	5.75	6.75	7.75

	Reverse Repo Rate	Repo Rate	Marginal Standing Facility
		(*percentages*)	
As of March 31, 2017	5.75(1)	6.25	6.75(2)

Source: RBI
(1) RBI raised the reverse repo rate 6.00% on April 6, 2017.
(2) RBI raised the marginal standing facility rate to 6.50% on April 6, 2017.

In August 2016, the RBI adopted an inflation target of 4% (with an upper limit of 6% and lower limit of 2%) for the next five years under its monetary policy framework. The RBI sets interest rates in an effort to keep inflation within the target range, and Indian banks generally follow the direction of interest rates set by the RBI and adjust both their deposit rates and lending rates upwards or downwards accordingly. Decreases in the RBI policy rates generally prompt Indian banks to re-examine their lending rates. Adverse changes in prevailing interest rates may result in a decline in net interest income due to increase in our costs of funds or deposits without a corresponding increase in our yield on assets, and may also lead to a decline in demand for our loan products. See "*Risk Factors – Risks Relating to Our Business*" on page 41. Since fiscal year 2015, the RBI's decrease in policy rates has been largely responsible for driving a general decreasing interest rate environment in India, which is reflected in decreased yields on our lending and investing portfolios and decreased rates on our borrowings.

Since mid-June 2016, markets have rallied and yields softened on the back of the Brexit referendum, liquidity conditions supported by a series of open market operations purchases, lower inflation concerns due to normal monsoons, expectations of a rate cut and impact of demonetisation. However, after the Sixth Bi-Monthly Monetary Policy Statement for Fiscal Year 2017 in February 2017, the government security yields increased. As of March 31, 2017, the ten year government security yield was 6.81%, and in fiscal year 2017 the ten year government security yield ranged from 6.18% to 7.54%.

Sources and Cost of Funding

Our primary interest-bearing liabilities are our deposit base, subordinated debt instruments and RBI and inter-bank borrowings. Adverse economic conditions may also limit or negatively affect our ability to attract deposits, replace maturing liabilities in a timely manner and at commercially acceptable rates, satisfy statutory liquidity requirements and access funding.

To continue to source low-cost funding through customer deposits, we must, among other things, optimize our branch network, increase brand recall and develop products and services to distinguish ourselves in an increasingly competitive industry. However, increasing customer sophistication, competition for funding, any sharp increase in prevailing interest rates and changes to the RBI's liquidity and reserve requirements may increase the rates that we pay on our deposits 91.67%, 91.38% and 91.22% of our total liabilities (excluding equity share capital and reserves) were attributable to customer deposits as of March 31, 2017, 2016 and 2015, respectively. As of March 31, 2017, 2016 and 2015, we had total deposits of ₹976,620.76 million, ₹791,709.00 million and ₹708,226.88 million, respectively, and an advance-to-deposit ratio (calculated as advances divided by deposits) of 75.86%, 73.79% and 72.76%, respectively.

The Bank's CASA ratio has increased from 30.43% in fiscal year 2015 to 32.47% in fiscal year 2016 and 32.60% in fiscal year 2017. We have been able to increase the CASA ratio primarily as a result of our strong position amongst the NRI community. Deposits at the Bank by NRIs have grown significantly from ₹259,355.22 million as of March 31, 2015 to ₹325,970.90 million as of March 31, 2016 and ₹385,779.31 million as of March 31, 2017, largely as a result of our focused marketing efforts in the members states of the Gulf Cooperation Council ("**GCC**"). Additionally, we had a sharp increase in our CASA during the demonetisation period, gradually reducing after the RBI relaxed withdrawal restrictions. Our results of operations, funding and liquidity might be affected if there is any regional or local political or economic instability or uncertainty affecting the GCC and, consequently, our customers.

The Bank’s liquidity coverage ratio as of March 31, 2017 was 142.88%, which was above the regulatory requirement of 80% applicable from January 1, 2017. The required liquidity coverage ratio is scheduled to increase to 90% with effect from January 1, 2018 and 100% from January 1, 2019.

Customer and employee relationships

The key drivers of our revenues are the number and quality of customer relationships as well as the range of products and services we provide to each customer. The number of customers we serve depends on the success of our relationship managers, the reach and strength of our distribution network, and the demand for, and competitiveness of, our products and services. For our corporate and wholesale banking business, revenues are driven primarily by the number, as well as quality, of our institutional and corporate clients, and our ability to grow our share of clients’ business. If we are not successful in developing new customer relationships, or retaining existing customer relationships, our earnings may be adversely affected.

Employee cost is a large component of our total cost. The Indian financial services sector is highly competitive, and it can be difficult and expensive to hire and assimilate talented and experienced employees.

Components of Income and Expenditure

Interest Earned

Interest earned consists of interest on advances and bills, income from investments, interest on balances with Reserve Bank of India and other inter-bank funds and other interest earned. Income from investments consists of interest on government securities, interest on other investments and income by way of dividends from other companies other than subsidiaries. Other interest earned includes interest on deposits placed with National Bank for Agricultural and Rural Development, Small Industries Development Bank of India and National Housing Bank and interest on income tax refunds. Our securities portfolio consists primarily of Government securities, debentures and bonds, equity shares, mutual fund units, certificates of deposit, commercial paper, security receipts and pass through certificates. On the balances that we maintain with RBI to meet our cash reserve requirements, we do not receive any interest. See "*Risk Factors – Risks Relating to Our Business*".

Other Income

Our non-interest income consists principally of (i) commission, exchange and brokerage, (ii) net profit on the sale of investments, (iii) miscellaneous income, which primarily includes recoveries in assets written off, (iv) net profit on foreign exchange transactions, (v) dividend income, and (vi) net profit (loss) on the sale of land, buildings and other assets.

Interest Expended

Our interest expended consists of interest on deposits, interest on RBI and inter-bank borrowings and other interest such as interest on subordinated debt and other borrowings from other financial institutions

Operating Expenses

Our operating expenses consist principally of (i) payments to and provision for employees, (ii) rent, taxes and lighting, (iii) depreciation on property, (iv) insurance, including deposit insurance premiums that we pay based on the level of deposits at the Bank, (v) repairs and maintenance, (vi) postage, telegrams, telephones, etc., and (vii) advertisement and publicity.

Provisions and Contingencies (net)

Our provisions and contingencies consist of (i) provision for taxation, (ii) provision for NPAs and contingencies (including write-offs net of recoveries), (iii) provision for diminution and/or depreciation in the value of investments, (iv) provision for standard assets, being the provision that RBI requires all banks and NBFCs to maintain on standard assets (v) provision for unhedged foreign currency exposure of clients and (vi) other provisions.

Fiscal Year Ended March 31, 2016 Compared to Fiscal Year Ended March 31, 2017

Summary of Performance

	Fiscal year		
	2017	**2016**	**% Increase/ (Decrease)**
	(₹ in millions, except percentages)		
Net interest income	31,306.93	25,669.25	21.96%
Other income	10,837.71	8,083.58	34.07%
Operating expenses	22,525.01	19,315.98	16.61%
Provisions and contingencies (excluding tax)	6,199.87	7,051.76	(12.08%)
Tax expense	4,886.58	2,506.07	94.99%
Net profit for the year	**8,533.18**	**4,879.02**	**74.90%**
Add: share in profit / (loss) of Associates	135.49	(14.84)	-
Consolidated profit for the year	**8,668.67**	**4,864.18**	**78.21%**

Net Interest Income

Our net interest income increased by 21.96% from ₹25,669.25 million in fiscal year 2016 to ₹31,306.93 million in fiscal year 2017. The Bank's net interest margin increased from 3.15% in fiscal year 2016 to 3.31% in fiscal year 2017, primarily due to a decrease in the Bank's the cost of funds as described below. The following table sets out the components of net interest income:

	Fiscal year		
	2017	**2016**	**% Increase/ (Decrease)**
	(₹ in millions, except percentages)		
Interest income			
Interest / discount on advances / bills	66,561.04	57,481.81	15.79%
Income from investments	17,968.60	17,623.42	1.96%
Interest on balances with RBI and other inter-bank funds	989.33	559.63	76.78%
Others	2,313.75	2,597.91	(10.94%)
Total interest income	**87,832.72**	**78,262.77**	**12.23%**

	Fiscal year		
	2017	2016	% Increase/ (Decrease)
	(₹ in millions, except percentages)		
Interest expended			
Interest on deposits	54,035.98	50,612.59	6.76%
Interest on RBI / inter-bank borrowings	223.89	89.82	149.27%
Others	2,265.93	1,891.11	19.82%
Total interest expended	**56,525.79**	**52,593.52**	**7.48%**
Net Interest Income	**31,306.93**	**25,669.25**	**21.96%**

Interest Income

Our total interest income increased by 12.23% from ₹78,262.77 million in fiscal year 2016 to ₹87,832.72 million in fiscal year 2017. The increase in total interest income was primarily on account of an increase in interest and discounts on advances and bills, which increased by 15.79% from ₹57,481.81 million in fiscal year 2016 to ₹66,561.04 million in fiscal year 2017. This increase was primarily due to an increase in average advances of the Bank from ₹513,344.16 million in fiscal year 2016 to ₹627,877.03 million in fiscal year 2017. The yield on advances of the Bank dropped from 11.04% in fiscal year 2016 to 10.43% in fiscal year 2017 reflecting the falling interest rate environment in India in line with reduced RBI policy rates. The Bank's net interest margins, however, increased from 3.15% in fiscal year 2016 to 3.31% fiscal year 2017 due to a reduction in cost of deposits from 6.95% in fiscal year 2016 to 6.25% in fiscal year 2017.

Contributing to the increase in total interest income was a 76.78% increase in interest on balances with RBI and other inter-bank funds, from ₹559.63 million in fiscal year 2016 to ₹989.33 million in fiscal year 2017. This increase was primarily due to an increase in our repo lending and other interbank balances. During demonetisation we were not able to fully deploy our deposits, resulting in higher repo lending.

Partially offsetting the increase in total interest income was a 10.94% decrease in other interest earned, from ₹2,597.91 million in fiscal year 2016 to ₹2,313.75 million in fiscal year 2017. This decrease was primarily due to a reduction in interest on deposit placed by the bank with National Bank for Agricultural and Rural Development (NABARD), Small Industries Development Bank of India and National Housing Bank to meet the priority sector shortfalls.

Interest Expended

Our total interest expended increased by 7.48% from ₹52,593.52 million in fiscal year 2016 to ₹56,525.79 million in fiscal year 2017. The increase in interest expensed was primarily due to increase in the interest paid on deposits by the bank due to the increase in average deposits from ₹728,711.79 million in fiscal year 2016 to ₹865,027.53 million in fiscal year 2017 and interest on borrowings increased by 149.27% from ₹89.82 million in fiscal year 2016 to ₹223.89 million in fiscal year 2017 primarily due to increase in call money borrowings of the bank. However, the cost of deposits decreased from 6.95% in fiscal year 2016 to 6.25% in fiscal year 2017, reflecting the falling interest rate environment in India in line with reduced RBI policy rates.

Other Income

The following table sets out the components of other income:

	Fiscal year		
	2017	2016	% Increase/ (Decrease)
	(₹ in millions, except percentages)		
Commission, exchange and brokerage	5,760.61	4,407.50	30.70%
Profit on sale of investments (net)	3,086.51	1,275.13	142.05%
Profit (loss) on sale of land, buildings and other assets (net)	0.88	(4.49)	-
Profit on foreign exchange transactions (net)	1,276.83	1,304.91	(2.15%)
Miscellaneous income	712.89	1,100.54	(35.22%)
Recoveries in assets written off (part of miscellaneous income)	552.08	889.32	(37.92%)
Total other income	**10,837.71**	**8,083.58**	**34.07%**

Our total other income increased by 34.07% from ₹8,083.58 million in fiscal year 2016 to ₹10,837.71 million in fiscal year 2017. The increase in other income was primarily due to the increase in net profits on the sale of investments from ₹1,275.13 million in fiscal year 2016 to ₹3,086.51 million in fiscal year 2017, largely due to our active investment management, a fall in the yield of Government securities and overall favourable market conditions during fiscal year 2017.

Contributing to the increase in our other income was an increase in commission, exchange and brokerage income from ₹4,407.50 million in fiscal year 2016 to ₹5,760.61 million in fiscal year 2017, primarily due to increased processing fees collected, increased ATM card annual charges and increased service charges.

Partially off-setting these increases was a reduction in the recovery from assets previously written off from ₹889.32 million in fiscal year 2016 to ₹552.08 million in fiscal year 2017, primarily due to unfavourable conditions of recovery in the written off accounts, including the general slowdown in the economy and demonetization efforts by the government.

Operating Expenses

The following table sets out the components of operating expenses:

	Fiscal year		
	2017	2016	% Increase/ (Decrease)
	(₹ *in millions, except percentages*)		
Payments to and provision for employees	11,893.38	10,742.15	10.72%
Rent, taxes and lighting	2,222.67	2,081.38	6.79%
Printing and stationery	273.32	174.91	56.28%
Advertisement, publicity and promotion	112.00	49.02	128.48%
Depreciation on Group's property	1,239.13	1,081.72	14.55%
Directors' fees, allowances and expenses	22.67	20.38	11.24%
Auditors' fees and expenses	75.81	74.54	1.70%
Law charges	119.18	98.51	20.98%
Postage, telephone etc.	569.23	481.94	18.11%
Repairs and maintenance	621.09	574.39	8.13%
Insurance	850.21	739.62	14.95%
Other expenditure	4,526.33	3,197.42	41.56%
Operating Expenses	**22,525.01**	**19,315.98**	**16.61%**

Our total operating expenses increased by 16.61% from ₹19,315.98 million in fiscal year 2016 to ₹22,525.01 million in fiscal year 2017. This increase was primarily due to an increase in employee costs, which contributed 52.80% of total operating expenses in fiscal year 2017. Employee costs increased primarily at the Bank as a result of increases in retirement benefits estimates based on actuarial assumptions. Other expenditures also increased, primarily as a result of an increase in service charges paid by the Bank, as well as ATM-related expenses.

Provisions (other than tax) and Contingencies

Provisions (other than tax) and contingencies decreased by 12.08% from ₹7,051.76 million in fiscal year 2016 to ₹6,199.87 million in fiscal year 2017. This decrease was primarily due to a decrease in provisions for NPAs and investments, which were partially offset by an increase in provision for standard assets. Provisions for NPAs decreased largely as a result of efforts that we took to strengthen our recovery processes, which resulted in a decrease in gross NPAs at the Bank from 2.84% in fiscal year 2016 to 2.33% in fiscal year 2017. Provisions for standard assets increased due to increase in advances and provision requirement for loans under the Scheme for Sustainable Structuring of Stressed Assets (S4A) and the Strategic Debt restructuring (SDR) scheme.

Tax expense

Tax expense increased by 94.99% from ₹2,506.07 million in fiscal year 2016 to ₹4,886.58 million in fiscal year 2017. This increase was primarily due to an increase in profit before tax in fiscal year 2017.

Net Profit

As a result of the above, our net profit for the year increased by 78.21% from ₹4,864.18 million in fiscal year 2016 to ₹8,668.67 million in fiscal year 2017.

Fiscal Year Ended March 31, 2015 compared to Fiscal Year Ended March 31, 2016

	Fiscal year		
	2016	2015	% Increase/ (Decrease)
	(₹ *in millions, except percentages*)		
Net interest income	25,669.25	24,386.20	5.26%
Other income	8,083.58	8,713.66	(7.23%)
Operating expenses	19,315.98	16,752.10	15.30%
Provisions and contingencies (excluding tax)	7,051.73	1,052.03	570.30%
Tax expense	2,506.10	5,174.81	(51.57)%
Net profit for the year	**4,879.02**	**10,120.92**	**(51.79%)**
Add: share in profit / (loss) of Associates	(14.84)	457.22	(103.25%)
Consolidated profit for the year	**4,864.18**	**10,578.14**	**(54.02%)**

Net Interest Income

Our net interest income increased by 5.26% from ₹24,386.20 million for fiscal year 2015 to ₹25,669.25 million for fiscal year 2016. The Bank's net interest margin decreased from 3.28% in fiscal year 2015 to 3.15% in fiscal year 2016, primarily due to a decrease in yield on advances resulting from (i) a decrease in the Bank's base rate from 10.20% to 9.95% with effect from June 18, 2015 and 9.63% with effect from December 1, 2015, and (ii) an increase in NPAs during fiscal year 2016. Gross NPAs increased from 2.04% in fiscal year 2015 to 2.84% in fiscal year 2016, largely in line with a general increase in NPAs across the Indian banking sector reflecting economic conditions. The following table sets out the components of net interest income:

	Fiscal year		
	2016	**2015**	**% Increase/ (Decrease)**
	(*₹ in millions, except percentages*)		
Interest earned			
Interest / discount on advances / bills	57,481.81	55,101.06	4.32%
Income from investments	17,623.42	16,618.89	6.04%
Interest on balances with RBI and other inter-bank funds	559.63	623.60	(10.26%)
Other	2,597.91	2,605.94	(0.31%)
Total interest earned	**78,262.77**	**74,949.49**	**4.42%**
Interest expended			
Interest on deposits	50,612.59	46,273.00	9.38%
Interest on RBI / inter-bank borrowings	89.82	587.68	(84.72%)
Others	1,891.11	3,702.61	(48.92%)
Total interest expended	**52,593.52**	**50,563.30**	**4.02%**
Net Interest Income	**25,669.25**	**24,386.20**	**5.26%**

Interest earned

Our total interest earned increased by 4.42% from ₹74,949.49 million for fiscal year 2015 to ₹78,262.77 million for fiscal year 2016. The increase in interest earned was primarily due to a 4.32% increase in interest and discounts on advances and bills, from ₹55,101.06 million for fiscal year 2015 to ₹57,481.81 million for fiscal year 2016. This increase was primarily due to an increase in average advances of the Bank from ₹466,892.43 million in fiscal year 2015 to ₹513,344.16 million in fiscal year 2016. However, the average yield on advances of the Bank dropped from 11.67% in fiscal year 2015 to 11.04% in fiscal year 2016, reflecting the decreasing interest rate environment in India.

Contributing to the increase in total interest income was a 6.04% increase in income from investments from ₹16,618.89 million in fiscal year 2015 to ₹17,623.42 million in fiscal year 2016. This increase was primarily due to an increase in average investments from ₹223,152.20 million in fiscal year 2015 to ₹243,019.59 million in fiscal year 2016.

Interest Expended

Our total interest expended increased by 4.02% from ₹50,563.30 million for fiscal year 2015 to ₹52,593.52 million for fiscal year 2016. This increase was primarily due to an increase of 9.38% in interest on deposits. The average deposits increased from ₹633,420.40 million in fiscal year 2015 to ₹728,711.79 million in fiscal year 2016. However, the cost of deposits decreased from 7.31% in fiscal year 2015 to 6.95% in fiscal year 2016, reflecting the falling interest rate environment in India in line with reduced RBI policy rates.

Other interest expended decreased by 48.92% from ₹3,702.61 million in fiscal year 2015 to ₹1,891.11 million in fiscal year 2016 primarily due to a decrease in interest on borrowings resulting from a decrease in the Bank's average borrowings from ₹41,788.30 million in fiscal year 2015 to ₹18,839.71 million in fiscal year 2016.

Other Income

The following table sets out the components of other income:

	Fiscal year		
	2016	**2015**	**% Increase/ (Decrease)**
	(*₹ in millions, except percentages*)		
Commission, exchange and brokerage	4,407.50	3,811.50	15.64%
Profit on sale of investments (net)	1,275.13	2,556.67	(50.13%)
Profit (loss) on sale of land, buildings and other assets (net)	(4.49)	(3.53)	27.45%
Profit on foreign exchange transactions (net)	1,304.91	1,162.07	12.29%
Miscellaneous income	1,100.54	1,186.94	(7.28%)
Recoveries in assets written off (part of miscellaneous income)	889.32	1,067.53	(16.69%)
Total other income	8,083.58	8,713.66	(7.23%)

Our total other income decreased by 7.23% from ₹8,713.66 million in fiscal year 2015 to ₹8,083.58 million in fiscal year 2016. This decrease was primarily due to a 50.13% reduction in net profits on the sale of investments from ₹2,556.67 million in fiscal year 2015 to ₹1,275.13 million in fiscal year 2016, as a result of (i) a high base effect given strong profits on the sale of investments in fiscal year 2015, and (ii) our view of potential interest rate drops during fiscal year 2017, as a result of which we actively managed our investments in order to position ourselves to reap the benefits of potential interest rate decreases.

Contributing to the decrease in other income was a 16.69% reduction in recovery of assets previously written off from ₹1,067.53 million in fiscal year 2015 to ₹889.32 million in fiscal year 2016, as a result of unfavourable conditions of recovery in the written off accounts, including the general slowdown in the economy amongst others. These decreases were partially off-set by a 15.64% growth in commission, exchange and brokerage income from ₹3,811.50 million in fiscal year 2015 to ₹4,407.50 million in fiscal year 2016, as a result of increased processing fees, increased sales of third-party products and increases in other service charges.

Operating Expenses

The following table sets out the components of operating expenses:

	Fiscal year		
	2016	**2015**	**% Increase/ (Decrease)**
	(*₹ in millions, except percentages*)		
Payments to and provision for employees	10,742.15	9,130.52	17.65%
Rent, taxes and lighting	2,081.38	1,894.51	9.86%
Printing and stationery	174.91	172.86	1.19%
Advertisement, publicity and promotion	49.02	393.47	(87.54%)
Depreciation on Group's property	1,081.72	794.89	36.09%
Directors' fees, allowances and expenses	20.38	22.06	(7.64%)
Auditors' fees and expenses	74.54	69.98	6.51%
Law charges	98.51	84.16	17.05%
Postage, telephone etc.	481.94	471.46	2.22%
Repairs and maintenance	574.39	481.66	19.25%
Insurance	739.62	625.37	18.27%
Other expenditure	3,197.42	2,611.16	22.45%
Operating Expenses	19,315.98	16,752.10	15.30%

Our total operating expenses increased by 15.30% from ₹16,752.10 million in fiscal year 2015 to ₹19,315.98 million in fiscal year 2016. This increase was primarily due to a 17.65% increase in employee costs from ₹9,130.52 million in fiscal year 2015 to ₹10,742.15 million in fiscal year 2016 due to (i) dearness allowances linked to inflation and (ii) the 10th bi-partite settlement between the Indian Bank’s association and trade unions, which resulted in an increase in employee benefits retroactive to November 2012. Depreciation on our property increased by 36.09% due to reversal of excess depreciation amounting to ₹243.70, pursuant to a change in method of depreciation for certain categories of fixed assets from the written down value method to the straight line method.

Provisions (other than tax) and Contingencies

Provisions (other than tax) and contingencies increased by 570.30% from ₹1,052.03 million in fiscal year 2015 to ₹7,051.76 million in fiscal year 2016. This increase was primarily due to an increase in provisions for NPAs from ₹2,039.41 million in fiscal year 2015 to ₹5,555.17 million in fiscal year 2016 and an increase in provision for investments from a reversal of ₹806.13 million in fiscal year 2015 to a charge of ₹801.62 million in fiscal year 2016. Provisions for NPAs increased largely in line with increases in NPAs across the Indian banking sector, reflecting economic conditions. Gross NPAs at the Bank on a standalone basis increased from 2.04% in fiscal year 2015 to 2.84% in fiscal year 2016. Provision for standard advances decreased from ₹415.92 million in fiscal year 2015 to ₹302.34 million in fiscal year 2016 due to a reduction in our restructuring book, which requires higher provision as per RBI guidelines.

Tax expense

Tax expense decreased by 51.57% from ₹5,174.81 million in fiscal year 2015 to ₹2,506.07 million in fiscal year 2016. This increase was primarily due to a decrease in profit before tax in fiscal year 2016.

Net Profit

As a result of the above, our net profit for the year decreased by 54.02% from ₹10,578.14 million for fiscal year 2015 to ₹4,864.19 million for fiscal year 2016.

Financial Condition

Assets

The following table sets forth the principal components of our assets as of March 31, 2017, 2016 and 2015:

	As of March 31,		
	2017	**2016**	**2015**
	(*₹ in millions*)		
Cash and balances with the RBI	45,782.69	37,769.59	33,819.84
Balances with banks and money at call and short notice	28,763.72	16,461.84	14,024.60
Investments	279,122.59	249,204.69	227,830.36

	As of March 31,		
	2017	2016	2015
		(₹ *in millions*)	
Advances	740,862.30	584,197.74	515,291.87
Fixed assets	4,923.44	5,236.39	4,726.84
Other assets	55,402.62	54,187.07	57,725.41
Total	**1,154,857.35**	**947,057.32**	**853,418.93**

Assets amounted to ₹1,154,857.35 million as of March 31, 2017, an increase of 21.94% as compared to ₹947,057.32 million as of March 31, 2016. This increase was primarily due to (i) a 26.82% increase in advances, from ₹584,197.74 million as of March 31, 2016 to ₹740,862.30 million as of March 31, 2017, (ii) a 12.01% increase in investments, from ₹249,204.69 million as of March 31, 2016 to ₹279,122.59 million as of March 31, 2017, and (iii) a 74.73% increase in balances with banks and money at call and short notice, from ₹16,461.84 million as of March 31, 2016 to ₹28,763.72 million as of March 31, 2017.

Assets amounted to ₹947,057.32 million as of March 31, 2016, an increase of 10.97% as compared to ₹853,418.93 million as of March 31, 2015. This increase was primarily due to (i) a 13.37% increase in advances, from ₹515,291.87 million as of March 31, 2015 to ₹584,197.74 million as of March 31, 2016, and (ii) a 9.38% increase in investments, from ₹227,830.36 million as of March 31, 2015 to ₹249,204.69 million as of March 31, 2016.

Advances

The following table sets forth a breakdown of our advances as of March 31, 2017, 2016 and 2015:

	As of March 31,		
	2017	2016	2015
		(₹ *in millions*)	
Wholesale advances	269,470.01	193,708.53	164,095.84
SME advances	176,411.30	151,720.70	129,178.40
Agriculture advances	74,972.80	66,362.02	63,118.60
Retail advances	227,556.84	179,415.15	165,563.43
Gross advances	**748,410.95**	**591,206.41**	**521,956.27**
NPA provisions	7,548.65	7,008.67	6,664.40
Net advances	**740,862.30**	**584,197.74**	**515,291.87**

Gross advances amounted to ₹748,410.95 million as of March 31, 2017, an increase of 26.59% as compared to ₹591,206.41 million as of March 31, 2016. The increase was primarily due to increases in the Bank's retail and wholesale portfolios. Wholesale advances increased by 39.11% from ₹193,708.53 million in fiscal year 2016 to ₹269,470.01 million in fiscal year 2017, largely as a result of focused growth through our relationship manager model. Retail advances increased by 26.83% from ₹179,415.15 million in fiscal year 2016 to ₹227,556.84 million in fiscal year 2017, largely due to (i) assignment transactions of ₹27,877.83 million entered by the Bank in fiscal year 2017 due to the acquisition of various portfolios from other banks, as well as (ii) the growth in our mortgages and automobile financing portfolios. Contributing to the increase was a 16.27% increase in SME advances, resulting from the introduction of the relationship manager model.

Gross advances amounted to ₹591,206.41 million as of March 31, 2016, an increase of 13.27% as compared to ₹521,956.27 million as of March 31, 2015. The increase was primarily due to growth in the SME segment, which grew by 17.45% from ₹129,178.40 million in fiscal year 2015 to ₹151,720.70 million in fiscal year 2016. SME advances grew mainly due to our launch of new products, including (i) the Federal Easy Business Loan scheme, which improved our reach amongst the micro and small business community, (ii) supply chain financing and (iii) an exclusive scheme for commercial vehicle financing. Contributing to the increase in advances was an 18.05% increase in wholesale advances from ₹164,095.84 million in fiscal year 2015 to ₹193,708.53 million in fiscal year 2016, mainly due to organic growth among chosen corporate clients including mid-corporates, large corporates and institutional customers. In addition, retail advances increased by 8.37% from ₹165,563.43 million in fiscal year 2015 to ₹179,415.15 million in fiscal year 2016, mainly due to increases in mortgage loans and car loans, which were partially offset by slower growth in the gold loan market due to volatile gold prices.

Investments

The following table sets forth a breakdown of our investments as of March 31, 2017, 2016 and 2015:

	As of March 31,		
	2017	2016	2015
		(₹ *in millions*)	
Investments in India			
Government securities	215,654.10	199,419.70	193,096.96
Shares	2,175.94	1,554.36	1,579.26
Debentures and bonds	14,076.12	16,990.39	8,107.06
Joint ventures	1,765.24	1,629.75	1,644.58
Pass through certificates	1,000.00	63.57	928.78
Certificate of deposits	16,873.22	11,838.29	17,664.32
Commercial paper	19,880.02	11,092.99	-
Venture capital funds	216.94	381.20	392.30
Security receipts	7,472.06	6,227.57	4,416.76
Others	0.18	0.33	0.35
Total investments in India	**279,113.84**	**249,198.16**	**227,830.36**
Investments outside India	8.75	6.53	-
Total	**279,122.59**	**249,204.69**	**227,830.36**

Investments amounted to ₹279,122.59 million as of March 31, 2017, an increase of 12.01% as compared to ₹249,204.69 million as of March 31, 2016, primarily as a result of increases in government securities, commercial paper and certificates of deposit. Investments in government securities increased primarily because of an increase in deposits of the Bank, as a result of which we had to increase our investment in government securities largely to meet our SLR requirements. Investments in commercial paper increased primarily to take benefit of declining interest rates and to acquire new clients after the necessary due diligence by the credit department of the Bank. Such commercial papers are issued by various companies, and the commercial papers act as credit substitutes. Investments in certificates of deposit increased primarily because of excess liquidity in the Bank, the Bank invests such excess liquidity in certificates of deposits after consideration of the yield and the exposure limit fixed by the Board against the Investee Bank.

Investments amounted to ₹249,204.69 million as of March 31, 2016, an increase of 9.38% as compared to ₹227,830.36 million as of March 31, 2015, primarily as a result of increase in investments in commercial paper, debentures and bonds, and government securities, which were partially offset by a decrease in investments in certificates of deposit. Investments in commercial paper increased primarily to take benefit of declining interest rates and to acquire new clients. Investments in debentures and bonds increased primarily because of the Ujwal Discom Assurance Yojana Scheme to restructure various power distribution companies. Under the Ujwal Discom Assurance Yojana Scheme, the Bank's credit exposure to such power distribution companies was converted into State Government bonds, resulting in a decrease in the Bank's loans and an increase in investments. These bonds are guaranteed by respective the states and carry less risk. Investments in government securities increased primarily because of an increase in deposits of the Bank, as a result of which we had to increase our investment in government securities largely to meet our SLR requirements. Investments in certificates of deposit were reduced as the Bank decided not to invest surplus liquidity into the certificates of deposit after considering the yield on investments and exposure limits fixed against the Investee Bank.

Balances with banks and money at call and short notice

Balances with banks and money at call and short notice increased by 74.73% from ₹16,461.84 million as of March 31, 2016 to ₹28,763.72 million as of March 31, 2017, primarily as a result of an increase in reverse repo lending.

Balances with banks and money at call and short notice increased by 17.38% from ₹14,024.60 million as of March 31, 2015 to ₹16,461.84 million as of March 31, 2016, primarily as a result of an increase in foreign currency placements outside India.

Liabilities

The following table sets forth the principal components of our liabilities as of March 31, 2017, 2016 and 2015:

	As of March 31,		
	2017	2016	2015
		(₹ *in millions*)	
Deposits	976,620.76	791,709.00	708,226.88
Borrowings	63,454.93	52,363.17	48,265.80
Other liabilities and provisions	25,267.98	22,343.90	19,923.52
Total	**1,065,343.66**	**866,416.07**	**776,416.20**

Liabilities amounted to ₹1,065,343.66 million as of March 31, 2017, an increase of 22.96% as compared to ₹866,416.07 million as of March 31, 2016. The increase was primarily on account of growth in our deposits and borrowings.

Liabilities amounted to ₹866,416.07 million as of March 31, 2016, an increase of 11.59% as compared to ₹776,416.20 million as of March 31, 2015. The increase was primarily on account of growth in our deposits and borrowings.

Deposits

The following table sets forth a breakdown of our deposits, as well as the percentage of total deposits that each item contributes, as of March 31, 2017, 2016 and 2015:

	As of March 31,					
	2017		2016		2015	
			(₹ *in millions, except percentages*)			
Demand deposits (current account).....	56,526.90	5.79%	46,303.83	5.85%	40,565.89	5.73%
Savings bank deposits.........................	263,976.65	27.03%	214,222.06	27.06%	177,269.07	25.03%
Term deposits.....................................	656,117.20	67.18%	531,183.10	67.09%	490,391.92	69.24%
Total deposits	**976,620.76**	**100.00%**	**791,709.00**	**100.00%**	**708,226.88**	**100.00%**

An important part of our deposit base are the deposits that we receive from NRIs. NRI deposits were ₹259,355.22 million as of March 31, 2015, ₹325,970.90 million as of March 31, 2016 and ₹385,779.31 million as of March 31, 2017. Deposits from NRIs include a mix of demand deposits, savings deposits and term deposits.

Deposits amounted to ₹976,620.76 million as of March 31, 2017, an increase of 23.36% as compared to ₹791,709.00 million as of March 31, 2016. Demand deposits and savings deposits increased by 22.08% and 23.23%, respectively, primarily as a result of organic growth largely driven by increased marketing efforts as well as the effects of demonetisation. Term deposits increased by 23.52% primarily as a result of a 255.24% increase in inter-bank term deposits, primarily from regional rural banks and co-operative banks, largely due to our increased marketing efforts. Our CASA ratio remained relatively stable, increasing from 32.47% in fiscal year 2016 to 32.60% in fiscal year 2017.

Deposits amounted to ₹791,709.00 million as of March 31, 2016, an increase of 11.79% as compared to ₹708,226.88 million as of March 31, 2015. The increase was primarily on account of a 20.85% increase in savings deposits from ₹177,269.07 million as of March 31, 2015 to ₹214,222.06 million as of March 31, 2016, which was particularly driven by NRI savings deposits. Contributing to the increase was an 8.32% increase in term deposits from ₹490,391.92 million as of March 31, 2015 to ₹531,183.10 million as of March 31, 2016. Term deposits increased mainly as a result of growth in NRI term deposits. In addition, demand deposits increased by 14.14% from ₹40,565.89 million as of March 31, 2015 to ₹46,303.83 million as of March 31, 2016. Demand deposits increased mainly as a result of marketing campaigns and other efforts to grow our demand deposit portfolio. As a result of the foregoing, our CASA ratio increased from 30.43% in fiscal year 2015 to 32.47% in fiscal year 2016

Borrowings

Borrowings amounted to ₹63,454.93 million as of March 31, 2017, an increase of 21.18% as compared to ₹52,363.17 million as of March 31, 2016. The increase was primarily domestic borrowings to support lending activities, as well as borrowings outside India to support the functioning of our international banking unit in GIFT City.

Borrowings amounted to ₹52,363.17 million as of March 31, 2016, an increase of 8.49% as compared to ₹48,265.80 million as of March 31, 2015. The increase was primarily on account of borrowings outside India to support the functioning of our international banking unit in GIFT City.

Other liabilities and provisions

Other liabilities and provisions amounted to ₹ 25,267.98 million as of March 31, 2017, an increase of 13.09% as compared to ₹22,343.90 million as of March 31, 2016. The increase was primarily on account of an increase in interest payable on incremental deposits and borrowings and an increase in standard asset provisions due to increased advances.

Other liabilities and provisions amounted to ₹22,343.90 million as of March 31, 2016, an increase of 12.15% as compared to ₹19,923.52 million as of March 31, 2015. The increase was primarily on account of an increase in standard asset provisions due to increased advances.

Capital

We are a banking company within the meaning of the Indian Banking Regulation Act, 1949. We are registered with and subject to supervision by the RBI. The RBI issued detailed guidelines for implementation of Basel III capital regulations in May 2012. Basel III Capital Regulations are being implemented in India with effect from April 1, 2013 in a phased manner, which the Bank has complied with.

The Bank's regulatory capital and capital adequacy ratios calculated under Basel III as of March 31, 2017 are as follows:

	Basel III
	March 31, 2017
	(₹ *in millions, except percentages*)
Tier 1 capital	85,392.59
Tier 2 capital	4,160.76
Total capital	**89,553.35**
Total risk weighted assets and contingents	722,954.32
Capital ratios of the Group:	
Tier 1 CRAR	11.81%
Total CRAR	12.39%
Minimum capital ratios required by the RBI:	
Tier 1 including capital conservation buffer	6.75%
Total capital	10.25%

Capital Expenditure

Our capital expenditure consists principally of expenditure relating to branch network expansion as well as investment in technology and communication infrastructure, in each case principally in India. For fiscal years 2017, 2016 and 2015, we spent ₹958.42 million, ₹1,719.08 million and ₹1,171.80 million on capital expenditures, respectively.

Our planned future capital expenditure relates primarily to branch expansion, maintenance and investments in technology and communication infrastructure. The approved capital budget by the Board for the fiscal year 2018 is ₹1,090.00 million. However, our actual capital expenditure may be higher or lower than our current expectations, and could be material in amount. Moreover, we may use incur capital expenditure for purposes other than the above, depending on, among other factors, the business environment prevailing at the time and any change in our business plans.

Contingent Liabilities, Financial Instruments and Cross Border Exposures

Contingent Liabilities

Our contingent liability primarily relate to:

1. Claims not acknowledged as debts.

   These represent claims filed against us 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 us.

2. Liability on account of forward exchange and derivative contracts.

   We enter into forward exchange contracts on our own account and on behalf of our customers. Forward exchange contracts are commitments to buy or sell foreign currency at a future date at the contracted rate.

3. Guarantees given on behalf of constituents.

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

4. Acceptances, endorsements and other obligations.

   These include documentary credit issued by us on behalf of our customers and bills drawn by our customers that are accepted or endorsed by us.

5. Other items for which the bank is contingently liable.

   Includes capital commitments and amounts transferred to RBI under the Depositor Education and Awareness Fund (DEAF).

The following table presents our contingent liabilities:

	As of March 31,		
	2017	2016	2015
		(₹ *in millions*)	
Claims not acknowledged as debts	3,810.21	1,114.15	3,240.71
Liability on account of outstanding forward exchange contracts	164,567.63	142,421.17	126,308.29
Guarantees on behalf of constituents	47,954.50	43,996.47	32,601.13

	As of March 31,		
	2017	2016	2015
		(₹ in millions)	
Acceptances, endorsements and other obligations	14,175.13	13,205.03	9,004.09
Other items for which we are contingently liable......................	1,849.38	1,804.40	997.24
Total..	**232,356.85**	**202,541.22**	**172,151.46**

Contingent liabilities increased by 17.65% from ₹172,151.46 million in fiscal year 2015 to ₹202,541.22 million in fiscal year 2016 and by a further 14.72% to ₹232,356.85 million in fiscal year 2017. The increase from fiscal year 2015 to fiscal year 2017 was primarily due to (i) an increase in liability on account of outstanding forward exchange contracts resulting from our relationship manager model and dedicated efforts by our treasury department to sell more products to corporate and SME customers, and (ii) an increase in guarantees on behalf of constituents on account of additional non-fund limits given to target corporate customers, as well as new customer acquisitions.

Financial Instruments

Our foreign exchange and derivative product offerings to our customers cover a range of products, including foreign exchange and interest rate transactions and hedging solutions, such as spot and forward foreign exchange contracts, forward rate agreements, currency swaps, currency options and interest rate derivatives. These transactions enable our customers to transfer, modify or reduce their foreign exchange and interest rate risks. A specified group of foreign exchange dealers and relationship managers from our treasury front office works on such product offerings jointly with the relationship managers across the various customer groups in the Bank.

We also enter into forward exchange contracts, currency options, forward rate agreements, currency swaps and rupee interest rate swaps with inter-bank participants, to support our activities with our clients. We also trade, to a more limited extent, for our own account. In addition, we also use these instruments for our asset liability management.

We earn profit on customer transactions by way of a margin as a mark-up over the inter-bank exchange or interest rate. We earn profit on inter-bank transactions by way of a differential between the purchase rate and the sale rate. These profits are recorded as income from foreign exchange and derivative transactions. The RBI imposes limits on our ability to hold overnight positions in foreign exchange and derivatives, and we maintain our overnight positions within the limits as per our risk management policies approved by our Board within the RBI framework.

Cross Border Exposures

The RBI requires banks in India to implement RBI prescribed guidelines on country risk management in respect of those countries where a bank has net funded exposure in excess of a prescribed percentage of its total assets. In the normal course of business, the Bank has both direct and indirect exposure to risks related to counter parties and entities in foreign countries. The Bank monitors such cross-border exposures on an ongoing basis. The Bank's aggregate country risk exposure was 1.70% of its total assets as of March 31, 2017.

Qualifications, Reservations and Adverse Remarks

There are no reservations, qualifications or adverse remarks highlighted by the auditors in their reports to our financial statements as of and for the fiscal years ended March 31, 2017, 2016, 2015, 2014 and 2013. The auditors have included the the following emphasis of matter the fiscal years ended March 31, 2016, 2015, 2014 and 2013:

(a) *For Fiscal year ended March 31, 2013 - Emphasis of matter:*

Proportionate charge of pension liability of the Bank amounting to ₹33.68 Crore to the Profit and Loss Account and the balance unamortised pension liability of ₹67.36 Crore as at March 31, 2013, included in Schedule 11 to the Financial Statements to be amortised over the next two years, pursuant to the exemption from the application of the provisions of the Accounting Standard (AS) 15, Employee Benefits, granted by the Reserve Bank of India and made applicable to the Bank vide letter no. DBOD No.BP.BC.15896 / 21.04.018 / 2010-11 dated April 8, 2011.

(b) *For Fiscal year ended March 31, 2014 – Emphasis of matter:*

(i) proportionate charge of pension liability of the Bank amounting to ₹33.68 Crore to the Profit and Loss Account and the balance unamortised pension liability of ₹33.68 Crore as at 31st March, 2014, included in Schedule 11 to the Financial Statements to be amortised in the next year, pursuant to the exemption from the application of the provisions of the Accounting Standard (AS) 15, Employee Benefits, granted by the Reserve Bank of India and made applicable to the Bank vide letter no. DBOD No.BP.BC.15896 / 21.04.018/2010-11 dated 8th April, 2011.

(ii) creation of Deferred Tax Liability in respect of special reserve created under Sec 36 (1) (viii) of the Income Tax Act 1961 for the period upto 31 March 2013 amounting to Rs.53.96 Crore by drawing down the balance from General

Reserve pursuant to RBI's Circular No. DBOD. No.BP.BC.77/21.04.018/2013-14 dated 20th December 2013.

(c) *For Fiscal year ended March 31, 2015 - Emphasis of matter:*

proportionate charge of pension liability of the Bank amounting to ₹33.68 Crore to the Profit and Loss Account and the balance unamortised pension liability of Nil, included in Schedule 11 to the Financial Statements, pursuant to the exemption from the application of the provisions of the Accounting Standard (AS) 15, Employee Benefits, granted by the Reserve Bank of India and made applicable to the Bank vide letter no. DBOD No.BP.BC.15896 / 21.04.018 / 2010-11 dated April 8, 2011.

(d) *For the Fiscal year ended March 31, 2016 – Emphasis of matter:*

amortising the shortfall arising from the sale of certain non-performing assets during the year ended March 31, 2016 over a period of 2 years, in terms of RBI Master Circular DBR. No. BP. BC. 2/21. 04. 048/2015-16 on Prudential Norms on Income Recognition, Asset Classification and Provisioning pertaining to advances, dated July 1, 2015 and the balance outstanding of such shortfall as at 31st March, 2016 of ₹86.73 Crore.

In respect of the above emphasis of matters, there are no corrective steps required.

Critical Accounting Policies

We have set forth below some of our critical accounting policies under Indian GAAP. Our financial statements are prepared in accordance with Indian GAAP as applicable to banks. The preparation of our financial statements requires us to make estimates and judgements that affect the reported amounts of assets, liabilities, income and expenses as well as the disclosure of contingent liabilities. The notes to the financial statements contain a summary of our significant accounting policies. Certain of these policies are critical to the portrayal of our financial condition, since they require management to make subjective judgements, some of which may relate to matters that are inherently uncertain. Set forth below are some of our critical accounting policies under Indian GAAP for fiscal 2017. We base our estimates and judgements on historical experience and other factors that we believe to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. As a result of changes in applicable statutory requirements, regulatory guidelines and accounting practices in India, our accounting policies may have undergone changes during the periods covered by this discussion. Accordingly, this discussion should be read in conjunction with our financial statements and notes as applicable during the respective fiscal year.

Revenue Recognition

- Interest income is recognised on an accrual basis except interest income on non-performing assets, loans under Scheme for Sustainable Structuring of Stressed Assets (S4A) and Strategic Debt restructuring (SDR) scheme of RBI which is recognised upon receipt in accordance with AS-9, Revenue Recognition as prescribed under Section 133 of the Companies Act, 2013 and as specified in RBI guidelines.
- Interest on income tax refund is recognised in the year of passing of assessment orders.
- Recoveries made from NPA accounts are appropriated first towards unrealized interest/income debited to borrowers accounts, then expenditure/out of pocket expenses incurred and lastly towards principal dues.
- 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.

Retirement and other employee benefits

The Bank

Provident Fund

The contribution made by the Bank to The Federal Bank Employees Provident Fund, administered by the trustees, is charged to the consolidated profit and loss account.

Pension Fund

The contribution towards The Federal Bank Employees’ Pension Fund, managed by trustees, is determined on actuarial basis on projected unit credit method as on the Balance Sheet date and is recognised in the accounts.

Employees who joined the services of the Bank with effect from April 01, 2010 are covered under Defined Contributory Pension Scheme (DCPS). In respect of such employees, the Bank contributes 10% of the basic pay plus dearness allowance, and the expenditure thereof is charged to the consolidated profit and loss account.

Gratuity

The Bank makes annual contribution to The Federal Bank Employees’ Gratuity Trust Fund, administered and managed by the Trustees. The cost of providing such benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognised in the consolidated profit and loss account in the period in which they occur. The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the schemes.

Compensation for absence on privilege / sick / casual leave and leave travel concession

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 accounts.

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

Other employee benefits

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

The Subsidiary

The company has defined contribution plans for employees comprising of provident fund and employee state insurance. The contributions paid/payable to these plans during the year are charged to Profit and Loss Account for the year.

The net present value of the obligation for gratuity benefits, which is a defined benefit plan, as determined on independent actuarial valuation, conducted annually using projected unit credit method, as adjusted for unrecognized past services cost, if any, is recognised in the accounts. Actuarial gains and losses are recognised in full in the profit and loss account for the period in which they occur.

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

Investments

The Bank

Classification

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

- held for trading;
- available for sale; and
- 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, held for trading securities which remain unsold for a period of 90 days are classified as available for sale securities on that date. Investments which the bank intends to hold until maturity are classified as "held to maturity".

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

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

Transfer of securities between Categories

Transfer of securities between categories is done at the lower of the acquisition cost / book value / market value on the date of the transfer and the depreciation, if any, on such transfer is fully provided for, as per RBI guidelines.

Acquisition Cost

In determining the acquisition cost of the investment:

- transaction costs including brokerage and commission pertaining to acquisition of investments are charged to the consolidated profit and loss account.
- broken period interest is charged to the consolidated 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 and available for sale investments are marked-to-market. The market/fair value of quoted investments included in the 'available for sale' and 'held for trading' categories is the market price of the scrip as available from the trades/quotes on the stock exchanges or prices declared by the Primary Dealers Association of India jointly with the Fixed Income Money Market and Derivative Associations of India, periodically. Net depreciation, if any, within each category of each investment classification is recognised in consolidated profit and loss account. The net appreciation, if any, under each category of each investment is ignored. 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 investments are carried at their acquisition cost. Any premium on acquisition of government securities are 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 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 the mutual fund.

e) The market value of investments where current quotations are not available is determined as per the norms prescribed by the RBI as follows:

- 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 for government securities as published by the Fixed Income Money Market and Derivative Associations of India / the Primary Dealers Association of India and suitably marked up for credit risk applicable to the credit rating of the instrument. The matrix for credit risk mark-up for each categories and credit ratings along with residual maturity issued by Fixed Income Money Market and Derivative Associations of India are adopted for this purpose;
- in case of bonds and debentures (including pass through certificates) where interest is not received regularly (i.e. overdue beyond 90 days), the valuation is in accordance with prudential norms for provisioning as prescribed by RBI;

- equity shares, for which current quotations are not available or where the shares are not quoted on the stock exchanges, are valued at break-up value (without considering revaluation reserves, if any), which is ascertained from the company's latest balance sheet. In case the latest balance sheet is not available, the shares are valued at Re. 1/- per company;

- depreciation on equity shares acquired and held by the Bank under SDR scheme is provided over a period of four calendar quarters from the date of conversion of debt into equity in accordance with the RBI guidelines.

- units of venture capital funds held under the available for sale category where current quotations are not available are marked-to=market based on the net asset value shown by the venture capital fund as per the latest audited financials of the fund. In case the audited financials are not available for a period beyond 18 months, the investments are valued at Re.1/- per venture capital fund. Investment in unquoted venture capital fund after 23rd August, 2006 are categorised under held to maturity category for the initial period of three years and valued at cost as per RBI guidelines;

- investment in security receipts are valued as per the net asset value obtained from the issuing reconstruction company/securitisation company.

f) Investments in subsidiaries/associates are categorised as held to maturity and assessed for impairment to determine permanent diminution, if any, in accordance with the RBI guidelines.

g) The Bank follows the trade date method of accounting for purchase and sale of investments, except for Government of India and State Government securities where the settlement date method of accounting is followed in accordance with RBI Guidelines.

h) Non-performing investments are identified and valued based on RBI Guidelines.

Disposal of Investments

a) Held for trading and available for sale – Profit or loss on sale / redemption is included in consolidated the profit and loss account.

b) Held to maturity – profit on sale / redemption of investments is included in the consolidated profit and loss account and is appropriated to capital reserve after adjustments for tax and transfer to statutory reserve. Loss on sale / redemption is charged to the consolidated profit and loss account.

Repo and reverse repo transactions

In accordance with the RBI guidelines, repo and reverse repo transactions in government securities are reflected as borrowing and lending transactions, respectively. Borrowing cost on repo transactions is accounted for as interest expense and revenue on reverse repo is accounted for as interest income.

Pursuant to RBI Circular FMRD.DIRD.10/14.03.002/2015-16 dated May 19, 2016, as amended, the Bank has considered its repo/reverse repo transactions under Liquidity Adjustment Facility and Marginal Standing Facility of RBI as borrowings/lending, as the case may be. Hitherto, the repo/ reverse repo transactions under Liquidity Adjustment Facility and Marginal Standing Facility of RBI were included under investments.

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. Such short positions are categorized as held for trading. These positions are marked-to-market along with the other securities under the held-for-trading portfolio, and resultant mark-to-market gains/losses are accounted for as per the relevant RBI guidelines for valuation of investments discussed earlier.

The Subsidiary

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

The book value of investment is reduced to the extent of amount amortised during the relevant accounting period.

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

Transactions involving foreign exchange

Foreign currency income and expenditure items of domestic operations are translated at the exchange rates prevailing on the date of the transaction. Income and expenditure items of non- integral foreign operations (such as the international banking unit at GIFT city) are translated at quarterly average closing rates.

Foreign currency monetary items of domestic operations are translated at the closing exchange rates notified by the Foreign Exchange Dealers' Association of India ("**FEDAI"**) as at the balance sheet date, and the resulting net valuation profit or loss is recognized in the consolidated profit and loss account.

Both monetary and non-monetary foreign currency assets and liabilities of non-integral foreign operations are translated at closing exchange rates notified by the FEDAI at the balance sheet date, and 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.

Foreign exchange spot and forward contracts (other than foreign exchange swaps taken to hedge Federal Rupee plus deposits denominated in JPY) outstanding as at the balance sheet date are revalued at the closing spot and forward rates, respectively, as notified by the FEDAI and at interpolated rates for contracts of interim maturities. For valuation of contracts having maturities greater than one year, the forward points (for rates/tenures not published by the FEDAI) are obtained from Reuters for valuation of the foreign exchange deals. As directed by the FEDAI to consider profit or loss on a present value basis, the forward profit or loss on the deals are discounted until the valuation date using the discounting yields. The resulting profit or loss on valuation is recognised in the consolidated profit and loss account.

Foreign exchange swaps taken to hedge Federal Rupee plus deposits denominated in JPY are translated at the prevailing spot rate at the time of swap. The premium/discount on the swap arising out of the difference in the exchange rate of the swap date and maturity date of the underlying forward exchange contract is amortised over the period of the swap and the same is recognised in the consolidated 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 the FEDAI as at the balance sheet date.

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 other than those designated as hedges are recognised in the consolidated profit and loss account.

Advances

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

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

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

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

Provision for unhedged foreign currency exposure of borrower entities is made in accordance with the guidelines issued by RBI, which requires the Bank to ascertain the amount of unhedged foreign currency exposure, estimate the extent of likely loss and estimate the riskiness of unhedged position of those entities. The Provision is classified under Schedule 5 – "Other Liabilities" in the balance sheet.

The Bank maintains general provision for standard assets including credit exposures computed as per the current marked-to-market values of interest rate and foreign exchange derivative contracts, in accordance with the guidelines and at levels stipulated by RBI from time to time – farm credit to agricultural activities and SMEs 0.25%, commercial real estate at 1%, restructured advances at 5%, teaser rate housing loans at 2%, commercial real estate- residential housing at 0.75% and for other sectors at 0.40%.

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 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.

Debit card reward points

The Bank runs a loyalty program, which seeks to recognise and reward customers based on their relationship with the Bank. Under the program, eligible customers are granted loyalty points redeemable in future, subject to certain conditions. The Bank estimates the probable redemption of such loyalty/reward points using an actuarial method at the balance sheet date by employing an independent actuary. Provision for said reward points is then made based on the actuarial valuation report as furnished by the said independent actuary.

Summary of Changes to Significant Accounting Policies

Accounting for Proposed dividends changed during the year ended March 31, 2017:

In terms of revised Accounting Standard (AS) 4 "Contingencies and Events occurring after the Balance sheet date" as notified by the Ministry of Corporate affairs through amendments to Companies (Accounting Standards) Amendment Rules, 2016 dated March 30, 2016, we have not accounted for proposed dividends as a liability as at March 31, 2017. Proposed dividends were, however, accounted as a liability as at March 31, 2016 and March 31 2015, in line with existing accounting standard applicable at the corresponding period. The change in method of accounting of proposed dividend does not have any impact in the profit and loss account for the year ended March 31, 2017.

Had we appropriated proposed dividends (including tax), our surplus in profit and loss account would have been lower by ₹1,867.50 million and other liabilities would have been higher by ₹1,867.50 million.

Change in Method of Depreciation during the year ended March 31, 2015:

During the year ended March 31, 2015 pursuant to the notification of Schedule II to the Companies Act, 2013 with effect from April 1, 2014, the Bank changed its method of depreciation for certain categories of fixed assets from written down value (WDV) method to straight line method (SLM). Consequent to this change, all assets are now being depreciated under SLM except Premises which continues to be depreciated at WDV with useful life as mentioned in Schedule II to the Companies Act, 2013. The Bank also revised the estimated useful life of some of its assets to align the useful life with those specified in Schedule II. Further, assets individually costing ₹5,000.00 or less that were depreciated fully in the year of purchase are now depreciated based on the useful life considered by the Bank for the respective category of assets.

Pursuant to the transitional provisions prescribed in Schedule II to the Companies Act, 2013, the Bank has fully depreciated the carrying value of assets (determined after considering the change in the method of depreciation from WDV to SLM), net of residual value, where the remaining useful life of the asset was determined to be nil as on April 1, 2014, and has adjusted an amount of ₹23.19 million (net of deferred tax of ₹11.94 million) against the opening Surplus balance in the Statement of Profit and Loss under Reserves and Surplus.

The bank has changed the method of providing depreciation from written down value method to Straight line method for certain assets from 1st April, 2014. This change in method has resulted in excess depreciation charge in earlier years amounting to ₹243.70 million which has been reversed to Profit and Loss Account for the quarter and nine months ended December 31, 2014.

The depreciation expense in the Profit and Loss Account for the year is lower by ₹46.92 million consequent to the above change in the method of depreciation.

Interest Coverage Ratio

For details relating to our interest coverage ratio, see "*Selected Statistical Information—Interest Coverage Ratio*".

SELECTED STATISTICAL INFORMATION

The following information should be read together with our standalone financial statements, including the notes thereto, and the section "Management's Discussion and Analysis of Financial Condition and Results of Operations" appearing elsewhere in this Placement Document. Unless otherwise stated, all amounts presented in this section relate to the standalone financial information of the Bank, and all averages presented in this section are presented on the basis of fortnightly balances outstanding. Figures for FY2015 and FY2016 have been regrouped and/or reclassified wherever necessary to conform to FY 2017 presentation.

ASSETS AND LIABILITIES

Average Balance Sheet of the Bank

The tables below present the average balances for interest-earning assets and interest-bearing liabilities together with the related interest revenue and expense amounts, resulting in the presentation of the average yields and cost for each period. The average balance is the average of quarterly balances outstanding. The average yield on average assets is the ratio of interest revenue to average interest-earning assets (except that (i) investments include equity investments and (ii) interest revenue with respect to investments includes dividends on such equity investments). The average cost on average interest-bearing liabilities is the ratio of interest expense to average interest-bearing liabilities.

	Fiscal								
	2015			2016			2017		
	(₹ in millions, except percentages)								
	Average Balance*	Interest Income/ Expense	Avg. Yield/ Cost (%)	Average Balance*	Interest Income/ Expense	Avg. Yield/ Cost (%)	Average Balance*	Interest Income/ Expense	Avg. Yield/ Cost (%)
Interest-earning assets									
Advances	481,971.62	54,468.33	11.30	528,153.44	56,693.11	10.73	666,925.28	65,456.78	9.81
Investments	216,652.49	16,568.56	7.65	238,012.41	17,630.94	7.41	258,547.93	18,013.97	6.97
Others	51,965.08	3,229.54	6.21	59,960.08	3,157.54	5.27	58,859.80	3,303.08	5.61
Total interest-earning assets	750,589.19	74,266.43	9.89	826,125.93	77,481.58	9.38	984,333.01	86,773.84	8.82
Non-interest earning assets:									
Fixed assets	4,457.79	-	-	5,015.20	-	-	5,061.93	-	-
Other assets	52,182.29	-	-	53,530.20	-	-	62,456.97	-	-
-Total non-interest earning assets	56,640.08	-	-	58,545.40	-	-	67,518.90	-	-
Total assets	807,229.27	74,266.43	-	884,671.33	77,481.58	-	1,051,851.91	86,773.84	-
Interest-bearing liabilities:									
Total deposits	656,886.62	46,275.05	7.04	749,716.54	50,614.00	6.75	893,328.54	54,036.00	6.05
Subordinated loan	2,000.00	186.41	9.32	2,000.00	185.51	9.28	1,000.00	130.77	13.08
Other Borrowings	44,063.43	3,929.13	8.92	24,751.82	1,604.97	6.48	40,284.01	2,080.67	5.17
Total interest-bearing liabilities	702,950.05	50,390.59	7.17	776,468.36	52,404.48	6.75	934,612.55	56,247.44	6.02
Non-interest bearing liabilities:									
Capital and reserves	74,999.23	-	-	80,655.38	-	-	85,866.94	-	-
Bills payable	123.16	-	-	97.43	-	-	78.49	-	-
Other liabilities	29,156.82	-	-	27,450.16	-	-	31,293.93	-	-
Total non-interest bearing liabilities	104,279.22	-	-	108,202.97	-	-	117,239.36	-	-
Total	807,229.27	50,390.59	-	884,671.33	52,404.48	-	1,051,851.91	56,247.44	-

	Fiscal								
	2015			2016			2017		
	(₹ in millions, except percentages)								
	Average Balance*	Interest Income/ Expense	Avg. Yield/ Cost (%)	Average Balance*	Interest Income/ Expense	Avg. Yield/ Cost (%)	Average Balance*	Interest Income/ Expense	Avg. Yield/ Cost (%)
liabilities									

** Represents quarterly average*

Analysis of Changes in Interest Income and Interest Expense by Volume and Rate

The following table sets forth, for the periods indicated, the allocation of the changes in the Bank's interest revenue (including, with respect to equity investments, dividend income) and interest expense between average volume and changes in average rates. The changes in net interest income between periods have been reflected as attributed either to volume or rate changes. For the purposes of this table, changes which are due to both volume and rate have been allocated solely to changes in rate.

	Fiscal 2015 vs. Fiscal 2016			Fiscal 2016 vs. Fiscal 2017		
	Net Change	Due to Change in Average Volume	Due to Change in Average rates	Net Change	Due to Change in Average Volume	Due to Change in Average rates
	(₹ in millions, except percentages)					
Interest revenue						
Advances	2,224.77	5,219.08	(2,994.30)	8,763.67	14,896.06	(6,132.39)
Investments	1,062.38	1,633.51	(571.12)	383.03	1,521.18	(1,138.15)
Others	(72.00)	496.88	(568.88)	145.55	(57.94)	(203.49
Total interest earned	3,215.15	7,473.92	(4,258.77)	9,292.25	14,838.10	(5,545.84)
Interest expenses						
Total interest on deposits(1)	4,338.95	6,539.50	(2,200.55)	3,422.00	9,695.37	(6,273.37)
Subordinated loan	(0.90)	-	(0.90)	(54.74)	(92.75)	38.01
Other Borrowings	(2,324.15)	(1,722.01)	(602.14)	475.70	1,007.15	(531.44)
Total interest expended	2,013.89	5,270.12	(3,256.23)	3,842.96	10,673.28	(6,830.32)
Net interest revenue	1,201.26			5,449.29		

Note:
(1) Includes savings deposits, current deposits and term deposits.
** Figures based on average quarterly balances*

Yields, Spreads and Margins

The following table sets forth, for the periods indicated, the yields, spreads and interest margins on the Bank's interest-earning assets.

	Fiscal		
	2015	2016	2017
	(₹ in millions, except percentages)		
Interest income on interest-earning assets	74,266.43	77,481.58	86,773.84
Interest expense on interest-bearing liabilities	50,390.59	52,404.48	56,247.44
Average interest-earning assets	728,754.80	797,160.58	921,851.50
Average interest-bearing liabilities	677,236.70	749,551.50	892,324.69
Average total assets	760,406.30	838,101.44	989,195.30
Average interest-earning assets as a percentage of average total assets	95.84%	95.12%	93.19%
Average interest-bearing liabilities as a percentage of average total assets	88.80%	89.20%	90.21%
Average interest-earning assets as a percentage of average interest-bearing Liabilities	107.93%	106.64%	103.31%
Yield(1)	10.19%	9.72%	9.41%
Cost of funds(2)	7.46%	7.01%	6.30%
Spread(3)	2.73%	2.71%	3.11%
Net interest margin(4)	3.28%	3.15%	3.31%

Notes:
(1) Yield is interest income divided by average interest-earning assets.
(2) Cost of funds is interest expense divided by average interest-bearing liabilities.
(3) Spread is the difference between yield and cost of funds.
(4) Net interest margin is the difference between interest earned and interest expended divided by the average fortnightly interest-earning assets.

Return on Equity and Assets

The following table presents selected financial ratios for the Bank for the periods indicated.

	Fiscal		
	2015	2016	2017
	(₹ in millions, except percentages)		
Net profit	10,057.51	4,756.48	8,307.88
Average total assets	760,406.30	838,101.44	989,195.30
Average shareholders' equity(1)	73,057.15	78,435.47	84,027.20
Net profit as a percentage of average total assets	1.32	0.57	0.84
Net profit as a percentage of average shareholders' equity	13.77	6.06	9.89
Average shareholders' equity as a percentage of average total assets	9.61	9.36	8.49

Note:
(1) Calculated as opening shareholders' equity plus closing shareholders' equity, divided by two. Shareholders' equity comprises of share capital plus reserves and surplus minus intangible assets.

Investment Portfolio

As of March 31, 2015, March 31, 2016 and March 31, 2017, the Bank's investments comprised 26.97%, 26.60% and 24.52% of its total Standalone assets, respectively, while total advances were 60.13%, 61.42% and 63.78% of the Bank's total standalone assets, respectively. The Bank carries out its investment activities according to various investment and trading policies. These policies set forth delegation of powers, types of instruments, maximum limits on investments in different types of securities, position limits, stop loss limits, duration limits, and minimum acceptable credit spreads.

The Bank attempts to achieve the highest risk-adjusted returns on its funds. When there is a lack of customers with good credit records, the Bank invests in government securities which have low returns but offer good liquidity with low risks. Conversely, when there is an increase in the number of customers with good credit records, the Bank will reduce its government securities holding proportionately and provide loans to such customers with good credit records which can generate better returns for the Bank.

The Bank is required to maintain a minimum holding of 20.50 % of its demand and time liabilities in SLR securities. In addition, the surplus funds of the Bank's deposits and advances are invested by the domestic treasury. These investments are in conformity with the Bank's policy on investments and the risk limits set by the Bank's Board.

Total Investment Portfolio

The following tables set forth, as of the dates indicated, information relating to the Bank's total investment portfolio.

(₹ in millions)

	As of March 31, 2015				As of March 31, 2016				As of March 31, 2017			
	Book Value	**Market Value**	**Unrealised gain**	**Unrealised loss**	**Book Value**	**Market Value**	**Unrealised gain**	**Unrealised loss**	**Book Value**	**Market Value**	**Unrealised Gain**	**Unrealised Loss**
Government securities	193,142.50	193,940.50	843.50	45.50	199,472.78	200,762.60	1,342.90	53.08	215,801.88	220,524.64	4,870.53	147.78
Other debt securities	26,599.80	26,871.70	271.90	0.00	40,457.22	40,123.37	76.31	410.16	52,045.53	51,754.33	55.62	346.82
Total debt securities	**219,742.30**	**220,812.20**	**1,115.40**	**45.50**	**239,930.00**	**240,885.97**	**1,419.21**	**463.24**	**267,847.41**	**272,278.97**	**4,926.15**	**494.60**
Non-debt securities	6,601.95	6,686.99	85.40	0.00	8,718.04	8,263.79	0.00	454.25	11,502.09	12,392.68	890.59	0.00
Subsidiaries and associates — at cost	3,980.00	3,980.00	0.00	0.00	3,980.00	3,980.00	0.00	0.00	3,980.00	3,980.00	0.00	0.00
Total	**230,324.25**	**231,479.19**	**1,200.80**	**45.50**	**252,628.04**	**253,129.76**	**1,419.21**	**917.49**	**283,329.50**	**288,651.65**	**5,816.74**	**494.60**

Note: The market value of unquoted non-performing investments is considered the same as the carrying value of such investments.

Available for Sale Investments

The following table sets forth, as of the dates indicated, information related to the Bank's investments available for sale:

(₹ in millions)

	As of March 31, 2015				As of March 31, 2016				As of March 31, 2017			
	Book Value	**Market Value**	**Unrealised gain**	**Unrealised loss***	**Book Value**	**Market Value**	**Unrealised gain**	**Unrealised loss***	**Book Value**	**Market Value**	**Unrealised gain**	**Unrealised loss***
Government securities	41328.00	41282.50	0.00	45.50	39323.57	39270.49	0.00	53.08	28365.44	28,217.67	0.00	147.78
Other debt securities	22185.70	22457.60	271.90	0.00	34588.54	34178.38	0.00	410.16	50913.73	50,566.91	0.00	346.82

	As of March 31, 2015				As of March 31, 2016				As of March 31, 2017			
	Book Value	Market Value	Unrealised gain	Unrealised loss*	Book Value	Market Value	Unrealised gain	Unrealised loss*	Book Value	Market Value	Unrealised gain	Unrealised loss*
Total debt securities	**63513.70**	**63740.10**	**271.90**	**45.50**	**73912.11**	**73448.87**	**0.00**	**463.24**	**79279.17**	**78,784.58**	**0.00**	**494.60**
Non-debt securities	6264.80	6350.20	85.40	0.00	8447.73	7993.48	0.00	454.25	11341.29	12,208.28	866.99	0.00
Subsidiaries and associates — at cost												
Total	**69778.50**	**70090.30**	**357.30**	**45.50**	**82359.84**	**81442.036**	**0.00**	**917.49**	**90620.46**	**90,992.86**	**866.99**	**494.60**

Note: The market value of unquoted non-performing investments is considered the same as the carrying value of such investments.
**All Unrealized losses have been fully reserved.*

Held to Maturity Investments

The following tables set forth, as of the dates indicated, information related to the Bank's investments held to maturity.

(₹ in millions)

	As of March 31, 2015				As of March 31, 2016				As of March 31, 2017			
	Book Value	Market Value	Unrealised gain	Unrealised loss	Book Value	Market Value	Unrealised gain	Unrealised loss	Book Value	Market Value	Unrealised gain	Unrealised loss
Government securities	149,401.20	150,242.40	841.20	0.00	160,149.21	161,492.10	1,342.90	0.00	187,436.44	192,306.97	4,870.53	0.00
Other debt securities	0.00	0.00	0.00	0.00	5868.68	5,944.99	76.31	0.00	1,131.80	1,187.42	55.62	0.00
Total debt securities	**149,401.20**	**150,242.40**	**841.20**	**0.00**	**166,017.90**	**167,437.10**	**1,419.20**	**0.00**	**188,568.24**	**193,494.39**	**4,926.15**	**0.00**
Non-debt securities	337.15	336.79	0.00	0.00	270.31	270.31	0.00	0.00	160.80	184.40	23.60	0.00
Subsidiaries and associates — at cost	3,980.00	3,980.00	0.00	0.00	3980.00	3,980.00	0.00	0.00	3,980.00	3,980.00	0.00	0.00
Total	**153,718.35**	**154,559.19**	**841.20**	**0.00**	**170,268.54**	**171,687.40**	**1,419.20**	**0.00**	**192,709.04**	**197,658.79**	**4,949.75**	**0.00**

Note: The market value of unquoted non-performing investments is considered the same as the carrying value of such investments.

Held for Trading Investments

The following table sets forth, as of the dates indicated, information related to the Bank's investments held for trading.

(₹ in millions)

	As of March 31, 2015				As of March 31, 2016				As of March 31, 2017			
	Book Value	Market Value	Unrealised gain	Unrealised loss	Book Value	Market Value	Unrealised gain	Unrealised loss	Book Value	Market Value	Unrealised gain	Unrealised loss
Government securities	2,413.30	2,415.60	2.30	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other debt securities	4,414.10	4,414.10	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total debt securities	**6,827.40**	**6,829.70**	**2.30**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Non-debt securities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Subsidiaries and associates — at cost	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total	**6,827.40**	**6,829.70**	**2.30**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**

Note: The market value of unquoted non-performing investments is considered the same as the carrying value of such investments.

Residual Maturity Profile

Available for sale

The following tables set forth, as of the date indicated, an analysis of the residual maturity profile of the Bank's investments in government and other debt securities classified as available for sale securities and their weighted average market yields.

(₹ in millions, except percentages)

	As of March 31, 2017							
	Up to three months		Three months to one year		One to five years		More than five years	
	Amount	Yield (%)	Amount	Yield (%)	Amount	Yield (%)	Amount	Yield (%)
Government securities	7508.97	6.10%	3020.87	6.27%	7292.74	6.56%	10395.09	6.85%
Other debt securities	9796.64	7.39%	30700.54	7.14%	6985.37	7.88%	3084.35	7.45%
Total debt securities market value	17305.60	6.95%	33721.41	7.07%	14278.11	7.26%	13479.45	6.98%

	As of March 31, 2017							
	Up to three months		Three months to one year		One to five years		More than five years	
	Amount	Yield (%)	Amount	Yield (%)	Amount	Yield (%)	Amount	Yield (%)
Total Book Value	17317.43	6.95%	33691.98	7.06%	14334.83	7.28%	13934.93	7.27%

Note: The market value of unquoted non-performing investments is considered the same as the carrying value of such investments.

Held to maturity

The following tables set forth, as of the date indicated, an analysis of the residual maturity profile of the Bank's investments in government and other debt securities classified as held to maturity and their weighted average market yields.

(₹ in millions, except percentages)

	As of March 31, 2017							
	Up to three months		Three months to one year		One to five years		More than five years	
	Amount	Yield (%)	Amount	Yield (%)	Amount	Yield (%)	Amount	Yield (%)
Government securities	9566.76	6.04%	5348.49	6.36%	55271.66	6.92%	122120.06	7.39%
Other debt securities	0.00	0.00%	0.00	0.00%	156.38	7.63%	1031.05	7.96%
Total debt securities market value	9566.76	6.04%	5348.49	6.36%	55428.03	6.92%	123151.12	7.39%
Total Book Value	9564.38	6.04%	5322.12	6.32%	54013.16	6.71%	119668.58	7.22%

Note: The market value of unquoted non-performing investments is considered the same as the carrying value of such investments.

Held for trading

As of March 31, 2017 we had no investments classified as held for trading.

Funding

The Bank's funding operations are designed to ensure stability, low cost of funding and effective liquidity management. The Bank's principal sources of funds are deposits from retail and corporate customers, borrowings from the RBI and other financial institutions, foreign currency borrowings, profits from the purchase and sale of investments, and the public and private issuance of bonds.

Total Deposits

The following table sets forth, for the periods indicated, the Bank's average outstanding deposits on a fortnightly average basis and the percentage composition by each category of deposits. The average cost of deposits was 7.31%, 6.95% and 6.25% in the years ended March 31, 2015, 2016 and 2017, respectively.

(₹ in millions except percentages)

	As of March 31,					
	2015		2016		2017	
	Amounts	Percentage of total	Amounts	Percentage of total	Amounts	Percentage of total
Term deposits	440,435.67	69.53	498,575.46	68.42	576,427.97	66.64
Saving deposits	160,622.69	25.36	192,025.80	26.35	239,759.79	27.72
Current deposits	32,362.02	5.11	38,110.53	5.23	48,839.77	5.65
Total	633,420.39	100.00	728,711.79	100.00	865,027.53	100.00

As of March 31, 2017, individual term deposits of the Bank in excess of ₹ 5,000,000 had balance to maturity profiles as set out below.

(₹ in millions, except percentages)

	As of March 31, 2017				
	Up to 3 months	Over 3 months to 1 Year	Over 1 year to 5 Years	Over 5 Years	Total
Balance to maturity for deposits exceeding ₹ 5,000,000	44,375.26	64,350.39	30,582.73	2,256.59	141,564.97

Borrowings

The following table sets forth, for the periods indicated, information related to the Bank's borrowings.

(₹ in millions, except percentages)

	Year ended March 31,		
	2015	**2016**	**2017**
Period end balance	47,418.41	51,145.67	58,973.23
Average balance during the period(1)	45,423.88	20,985.98	33,355.58
Interest expense during the period	4,115.53	1,790.48	2,211.44
Average interest rate during the period(2) (in percentage)	9.06	8.53	6.63

Notes:

(1) Average daily balances outstanding.

(2) Represents the ratio of interest expense on borrowings to the average of balances of borrowings.

Short-term Borrowings

The following table sets forth, for the periods indicated, information related to the Bank's borrowings.

(₹ in millions, except percentages)

	Year ended March 31,		
	2015	**2016**	**2017**
Period end balance	30,639.45	42,249.36	19,192.13
Average balance during the period(1)	23,415.48	7,648.18	12,750.16
Interest expense during the period	2,023.93	516.68	540.74
Average interest rate during the period(2) (in percentage)	8.64%	6.76%	4.24%

Notes:

(1) Average daily balances outstanding.

(2) Represents the ratio of interest expense on borrowings to the average of balances of borrowings.

Subordinated Debt

From time to time we obtain funds from the issuance of unsecured non-convertible subordinated debt securities, which qualify as Tier 2 risk-based capital under the RBI's guidelines for assessing capital adequacy. However, as of March 31, 2017, we did not have any outstanding subordinated debt.

Interest Coverage Ratio

The following table sets forth information with respect to our interest coverage ratio for the periods indicated. This ratio, however, is typically used to measure the debt-servicing ability of a corporate and is generally not relevant to a banking company.

(₹ in millions, except percentages)

	Year ended March 31,		
	2015	**2016**	**2017**
(i) Net profit	10,057.51	4,756.48	8,307.88
(ii) Depreciation on the Bank's Property	745.95	1,054.47	1,221.73
(iii) Interest expended	50,390.59	52,404.48	56,247.44
(iv) Total (i)+(ii)+(iii)	61,194.05	58,215.43	65,777.05
(v) Interest coverage ratio (iv)÷(iii)	121.44%	111.09%	116.94%

Asset Liability Gap

The following table sets forth our asset liability gap position as March 31, 2017:

(₹ in millions except percentages)

	As of March 31, 2017							
	1-30 days	**31-90 days**	**3-6 months**	**6-12 months**	**1-3 years**	**3-5 years**	**Over 5 years**	**Total**
Cash and bank balances	36,007.08	4,211.23	3,122.96	6,258.16	15,716.49	1,229.25	7,976.57	74,521.74
Advances	46,094.94	58,937.91	60,733.03	84,583.87	306,396.59	84,655.71	91,960.67	733,362.72
Investments	56,297.78	10,749.91	16,113.34	23,628.15	40,966.81	14,162.62	120,042.28	281,960.89
Fixed assets	0.00	0.00	0.00	0.00	0.00	0.00	4,894.69	4,894.69
Other assets	1.50	12.80	2,877.35	2,889.53	19,301.88	11,697.06	18,249.19	55,029.29
Total assets	138,401.29	73,911.84	82,846.69	117,359.71	382,381.77	111,744.63	243,123.39	1,149,769.32
Capital and reserves	0.00	0.00	0.00	0.00	0.00	0.00	89,423.82	89,423.82
Deposits	56,125.00	93,864.33	79,734.59	159,696.32	379,583.06	14,163.39	193,478.94	976,645.62
Borrowings	12,199.92	4,606.32	7,067.85	6,368.47	18,597.76	10,132.93	0.00	58,973.23
Tier II capital	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other liabilities	8,018.55	3,193.27	1,394.77	25.00	2,852.73	0.00	9,242.33	24,726.65
Total liabilities	76,343.47	101,663.91	88,197.21	166,089.78	401,033.56	24,296.32	292,145.09	1,149,769.32
Liquidity gap[(5)]	62,057.82	(27,752.07)	(5,350.52)	(48,730.07)	(18,651.79)	87,448.32	(49,021.69)	
Cumulative liquidity gap	62,057.82	34,305.75	28,955.24	(19,774.83)	(38,426.62)	49,021.69	0.00	
Cumulative liabilities	76,343.47	178,007.38	266,204.58	432,294.37	833,327.92	857,624.24	114,9769.32	
Cumulative liquidity gap as a percentage of Cumulative liabilities	81.29%	19.27%	10.88%	(4.57%)	(4.61%)	5.72%	0.00%	

Notes:
1. *Classification methodologies are based on the Asset Liability Management Guidelines issued by the RBI.*
2. *Assets and liabilities are classified into categories as per residual maturity.*
3. *Assets and liabilities that do not mature or have ambiguous maturities are classified as per historical behavioral analysis or management judgment.*
4. *Listed equity investments in the available for sale category have been considered in Asset Liability Gap statement at 50.0% haircut, in accordance with RBI guidelines.*
5. *Liquidity gap is defined as total assets minus total liabilities.*

Maturity and Interest Rate Sensitivity Analysis

The following table sets forth the interest rate sensitivity analysis of the Bank's advances as of March 31, 2017:

(₹ in millions)

Interest rate classification of assets and liabilities by re-pricing	As of March 31, 2017					
	Up to three months	**Three months to one year**	**One to five years**	**More than five years**	**Non-sensitive**	**Total**
Cash and Balances with RBI	0.00	0.00	0.00	0.00	45,765.68	45,765.68
Current Balances with other Banks	25,686.58	0.00	672.10	0.00	2,397.37	28,756.06
Other deposits and placements with Financial Institutions	23,497.82	49,289.44	1,165.79	2,861.96	0.00	76,815.01
Investments	28,882.76	37,773.45	69,912.06	134,901.51	13,932.55	285,402.33
Advances	361,473.48	230,972.65	21,790.41	42,311.17	0.00	656,547.71
Other Assets	0.00	5,668.53	19,376.13	8,845.61	26,033.70	59,923.98
Total Assets	**439,540.64**	**323,704.08**	**112,916.49**	**188,920.26**	**88,129.30**	**1,153,210.77**
Borrowings from Financial Institutions	24,834.08	12,541.39	21,597.77	0.00	0.00	58,973.23
Deposits from other Accounts	163,046.81	270,353.11	517,072.37	24,872.15	1,301.17	976,645.62
Subordinated Loans	0.00	0.00	0.00	0.00	0.00	0.00

Interest rate classification of assets and liabilities by re-pricing	As of March 31, 2017					
	Up to three months	Three months to one year	One to five years	More than five years	Non-sensitive	Total
Other liability	0.00	0.00	0.00	0.00	24,726.65	24,726.65
Capital and Reserves	0.00	0.00	0.00	0.00	89,423.82	89,423.82
Total Liabilities	**187,880.89**	**282,894.50**	**538,670.14**	**24,872.15**	**115,451.64**	**1,149,769.32**

Concentration of Advances

Pursuant to RBI guidelines, exposure ceilings are 15.0% of capital funds in the case of a single borrower and 40.0% in the case of a borrower group. The single borrower exposure limit is extendable by another 5.0%, up to 20.0% of capital funds, provided that the additional exposure is for the purpose of financing infrastructure projects. The borrower group exposure limit is extendable by another 10.0%, up to 50.0% of capital funds, provided that the additional exposure is for the purpose of financing infrastructure projects. In addition, a bank may, in exceptional circumstances and with the approval of its board of directors, consider increasing its exposure to a single borrower up to a maximum of an additional 5.0% of capital funds, subject to the borrower consenting to the bank making appropriate disclosure about the borrower in the bank's annual report. RBI also specifies ceilings for credit and investment to, among others, capital markets, venture capital, NBFCs, factoring, Indian joint ventures and intra group exposures. In addition to the RBI guidelines, our Bank has also identified major sectors/industries based upon its exposure concentration, and the ceilings are mapped to the capital fund, net worth and total gross advance of the Bank. The Bank has a Board-approved exposure policy, and places periodic monitoring reports before the Board for information.

The following table sets forth, at the dates indicated, the Bank's fund-based loans outstanding categorized sectorwise.

(₹ in millions, except percentages)

Industry	As of March 31,					
	2015		2016		2017	
	Gross advance	Percentage of total	Gross advance	Percentage of total	Gross advance	Percentage of total
Agricultural & Allied Activities	63,135.60	12.15	82,252.40	13.99	97,463.96	13.15
Industry	127,282.40	24.50	104,208.87	17.73	118,177.54	15.95
Services	167,676.00	32.28	213,573.78	36.33	286,076.40	38.61
Personal Loans and Others	161,419.70	31.07	187,871.37	31.95	239,189.36	32.29
Gross Advance	**519,513.70**	**100.00**	**587,906.42**	**100.00**	**740,907.27**	**100.00**

As of March 31, 2017, aggregate exposure to the Bank's top ten single largest borrowers amounted to ₹72,620.73 million representing approximately 81.09% of its total Tier I and Tier II capital. The Bank had an exposure of ₹14,000 million on such date for its single largest borrower, representing 15.63% of its Tier I and Tier II capital, as of March 31, 2017.

Priority Sector Lending

As stipulated by the RBI, commercial banks in India are required to lend, through advances or investment, 40% of their adjusted net bank credit ("**ANBC**") or credit equivalent amount of off-balance sheet exposures, whichever is higher, to specified sectors known as "priority sectors," subject to certain exemptions permitted by RBI from time to time. Priority sector advances include advances to the agriculture sector, micro and small enterprises, weaker sections, housing and education finance up to certain ceilings.

We are required to comply with the priority sector lending requirements as of March 31, in each fiscal year. Any shortfall in the amount required to be lent to the priority sectors may be required to be deposited with the Rural Infrastructure Development Fund established by NABARD or funds with other financial institutions as specified by the RBI.

A breakdown of our priority sector lending in the form of advances for the periods indicated is as follows:

(₹ in millions, except percentages)

	March 31, 2015		March 31, 2016		March 31, 2017	
	Amounts	Percentage of total	Amounts	Percentage of total	Amounts	Percentage of total
Agriculture	63,135.70	35.87%	82,252.37	43.71%	97,463.96	47.44%
Industries	34,790.20	19.76%	23,462.20	12.47%	27,017.03	13.15%
Services	37,374.94	21.23%	46,158.90	24.52%	43,309.60	21.08%
Other Priority Sector	40,719.28	23.14%	36,317.77	19.30%	37,646.20	18.33%
Total	176,020.12	100.00%	188,191.24	100.00%	205,436.79	100.00%

Non-Performing Assets

As a commercial bank operating in India, we recognize NPAs in accordance with the RBI's guidelines. The guidelines require Indian banks to classify their NPAs into three categories, as described below, based on the period for which the asset has remained non-performing and the estimated realization of amounts due in relation to such asset. Further, the NPA classification is at the borrower level, rather than at the facility level and accordingly, if one of the advances granted to a borrower becomes non-performing, such borrower is classified as non-performing and all advances due from it are so classified.

A non-performing asset is a loan or an advance where: (i) interest and/or installment of principal remains overdue for a period of more than 90 days in respect of a term loan; (ii) the account remains "out of order" in respect of an overdraft or cash credit; (iii) the bill remains overdue for a period of more than 90 days in the case of bills purchased and discounted; (iv) the installment of principal or interest thereon remains overdue for two crop seasons for short duration crops; (v) the installment of principal or interest thereon remains overdue for one crop season for long duration crops; (vi) the amount of liquidity facility remains outstanding for more than 90 days, in respect of a securitization transaction undertaken in terms of guidelines on a securitization dated February 1, 2006; or (vii) in respect of derivative transactions, the overdue receivables representing positive mark-to-market value of a derivative contract, if these remain unpaid for a period of 90 days from the specified due date for payment. According to guidelines specified by the RBI in July 2013, an account should be classified as an NPA on the basis of the record of recovery and not merely on deficiencies which are temporary in nature, such as non-renewal of limits on the due date or non-submission of stock statements.

Further, the RBI requires the banks to classify an account as a non-performing asset only if the interest due and charged during any quarter is not serviced fully within 90 days from the end of the quarter.

Assets are classified as described below:

Standard assets	A standard asset is one that is not a sub-standard asset.
Sub-standard assets	As per income recognition and asset classification norms of RBI, with effect from March 31, 2005, a substandard asset would be one which has remained non-performing for a period less than or equal to 12 months. Such an asset will have well defined credit weaknesses that jeopardise the liquidation of the debt and are characterised by the distinct possibility that the banks will sustain some loss, if deficiencies are not corrected.
Doubtful assets	As per Income recognition and asset classification norms of RBI, with effect from March 31, 2005, an asset would be classified as doubtful if it has remained in the substandard category for a period of 12 months. A loan classified as doubtful has all the weaknesses inherent in assets that were classified as sub-standard, with the added characteristic that the weaknesses make collection or liquidation in full, – on the basis of currently known facts, conditions and values – highly questionable and improbable.
Loss assets	As per Income recognition and asset classification norms of RBI A loss asset is one where loss has been identified by the bank or internal or external auditors or the RBI inspection but the amount has not been written off wholly. In other words, such an asset is considered uncollectible and of such little value that its continuance as a bankable asset is not warranted although there may be some salvage or recovery value.

Provisioning and Write-Offs

RBI guidelines on provisioning and write-off are as follows:

Standard assets	As per income recognition and asset classification and provisioning norms of RBI: (a) Farm Credit to agricultural activities and Small and Micro Enterprises (SMEs) sectors at 0.25 per cent; (b) advances to Commercial Real Estate (CRE) Sector at 1.00 per cent; (c) advances to Commercial Real Estate – Residential Housing Sector (CRE - RH) at 0.75 per cent (d) all other loans and advances not included in (a) (b) and (c) above at 0.40 per cent.
Sub-standard assets	➢ A general provision of 15 per cent on total outstanding should be created without making any allowance for the Export Credit Guarantee Corporation of India Limited ("**ECGC**") or the Credit Guarantee Fund Trust for Micro and Small Enterprises ("**CGTMSE**") guarantee cover and securities available. ➢ 10 per cent additional provision shall be created for 'unsecured exposures' which are identified

	as 'substandard' i.e., a total of 25 per cent on the outstanding balance.
Doubtful Assets	➢ 100 per cent of the extent to which the advance is not covered by the realizable value of the security ➢ With regard to the secured portion, provision may be made on the following basis, of the secured portion depending upon the period for which the asset has remained in the doubtful category:-

Period for which the asset has remained in 'doubtful' category	*Provision requirement (%)*
Up to one year (D1)	25
One to three years (D2)	40
More than three years (D3)	100

The following table sets forth, for the periods indicated, information about the Bank's NPA position.

(₹ in millions, except percentages)

	As of March 31,		
	2015	**2016**	**2017**
Gross NPAs	10,577.30	16,677.67	17,270.50
Specific provisions	5,282.00	6,313.20	6,852.70
Floating provisions	1,381.80	691.80	691.80
Net NPA	3,732.70	9,500.10	9,412.00
Gross advances	519,513.70	587,906.40	740,907.30
Net advances	512,371.23	580,579.06	732,835.80
Gross NPAs/gross advances (%)	2.04	2.84	2.33
Net NPAs/net advances (%)	0.73	1.64	1.28
Specific provision as a percentage of gross NPAs	49.94	37.85	39.68
Total provisions as a percentage of gross NPAs	63.00	42.00	43.68

The following table sets forth, for periods indicated, information about the Bank's NPA provisions.

(₹ in millions, except percentages)

	As of March 31,		
	2015	**2016**	**2017**
NPA provision at the beginning of the year	7,211.70	6,663.80	7,005.00
Addition during the year	4,017.00	9,081.70	5,286.30
Reduction during the period on account of recovery and write-offs	4,564.90	8,740.50	4,746.80
NPA provision at the end of the year	6,663.80	7,005.00	7,544.50

The following table sets forth the Bank's provisions for possible credit losses at the dates indicated.

(₹ in millions, except percentages)

	As of March 31,		
	2015	**2016**	**2017**
Provision held	6,663.80	7,005.00	7,544.50
Provision held as percentage of gross advances	1.28	1.19	1.02
Provision held as percentage of gross NPAs	63.00	42.00	43.68

The following table sets forth the classification of gross advances of the Bank at the dates indicated.

(₹ in millions)

	As of March 31,		
	2015	**2016**	**2017**
Standard advances	508,936.40	571,228.70	723,636.80
Restructured standard advances	26,047.67	13,820.34	12,823.60
Non-performing assets	10,577.32	16,677.67	17,270.50
Sub-standard advances	4,890.08	7,412.23	6,186.82
Doubtful advances	4,797.25	8,028.07	9,613.38
Loss advances	889.99	1,237.37	1,470.29

Analysis of NPAs by Industry Sector

The following table sets forth, for the periods indicated, the Bank's domestic NPAs, by borrowers' industry or economic activity and as a percentage of its loans in the respective industry or economic activities sector. These figures do not include credit substitutes.

(₹ in millions except percentages)

Industry	As of March 31,								
	2015			2016			2017		
	Gross advance	**NPAs**	**Percentage of Gross NPAs to Total Advances in that Sector**	**Gross advance**	**NPAs**	**Percentage of Gross NPAs to Total Advances in that Sector**	**Gross advance**	**NPAs**	**Percentage of Gross NPAs to Total Advances in that Sector**
Agricultural & Allied Activities	63,135.60	1,262.30	2.00	82,252.40	1,393.10	1.69	97,463.96	2,784.40	2.86
Industry	127,282.40	4,335.30	3.41	104,208.87	6,791.10	6.52	118,177.54	5,944.85	5.03
Services	167,676.00	3,074.50	1.83	213,573.78	5,618.60	2.63	286,076.40	5,117.09	1.79
Personal Loans and Others	161,419.70	1,905.20	1.18	187,871.37	2,874.90	1.53	239,189.36	3,424.19	1.43
Gross Advance	**519,513.70**	**10,577.30**	**2.04**	**587,906.42**	**16,677.70**	**2.84**	**740,907.27**	**17,270.53**	**2.33**

The following table sets forth the Bank's NPAs for its largest accounts, identified by industry, as of March 31, 2017:

(₹ in millions)

Industry Segment	**Gross Principal Outstanding As of March 31, 2017**
Iron and steel	3,541.52
Educational institutions	790.59
Textiles	782.62
Mining	555.17
Wholesale of metals and metal ores	455.26
Hotels	419.00
Food processing	315.39
Roadways	310.06
Retail trade	275.38
Processing of cashew nuts	217.88
Construction	201.43
Contractor	177.46
Personal loan	161.59
Power projects	138.15
Manufacturing	136.16
Jewellery	127.64
Export	108.55
Boilers	76.59
TOTAL	**8,790.44**

Restructuring of Debts

In respect of restructured or rescheduled accounts, we make provisions for the erosion in fair value of restructured advances in accordance with the general framework of the restructuring of advances as per the Master Circular on Prudential Norms on Income Recognition, Asset Classification and Provisioning Pertaining to Advances dated July 1, 2013 issued by the RBI. The erosion in fair value of advances is computed as the difference between the fair values before and after restructuring.

The fair value before restructuring is computed as the present value of cash flows representing the interest at the existing rate charged on the advance before restructuring and the principal, discounted at a rate equal to our BPLR or base rate, whichever is applicable to the borrower, as of the date of restructuring plus the appropriate term premium and credit risk premium for the borrower category on the date of the restructuring.

The fair value after restructuring is computed as the present value of cash flows representing the interest at the rate charged on the advance on restructuring and the principal, discounted at a rate equal to our BPLR or base rate, whichever is applicable to the borrower, as of the date of restructuring plus the appropriate term premium and credit risk premium for the borrower category on the date of restructuring.

Our total gross standard restructured advances was ₹ 26,047.67 million (5.01% of gross advances), ₹ 13,820.34 million (2.35% of gross advances) and ₹ 12,823.60 million (1.73% of gross advances) as of March 31, 2015, 2016 and 2017, respectively.

The following table sets forth the movement in Restructured advances for the period ended March 31, 2017:

(₹ in millions except percentages)

	As of March 31, 2017		
	Standard	**NPA**	**Total**
Restructured Accounts as on April 1, 2016 (Opening position)	8,030.72	3906.91	11,937.63
Movement in the Accounts (Includes Closed and Sale Accounts)	(1,688.36)	(3,223.55)	(4,911.91)
Add: Fresh Restructuring	2,030.28	0.62	2,030.91
Add: Up-gradation to restructured standard category	7.48	(7.48)	0.00
Less: Restructured Standard Advances which cease to attract higher provisioning and/or additional risk weight at the end of the quarter and hence need not be shown as restructured standard advances at the beginning of the next quarter	(2.84)	0.00	(2.84)
Less: Down-gradations of restructured accounts during the financial year	(380.91)	380.91	0.00
Less: Write-offs of restructured accounts during the financial year	0.00	0.00	0.00
Total restructured accounts as on March 31, 2017 (Closing Position)	**7,996.37**	**1,057.42**	**9,053.79**

Financial Ratios

The following table sets forth certain key financial indicators of the Bank, calculated on a standalone basis, as of and for the periods indicated.

	As of March 31,		
	2015	**2016**	**2017**
Return on average equity[(1)]	13.77	6.06	9.89
Return on average assets[(2)]	1.32	0.57	0.84
Dividend payout ratio[(3) (11)]	22.57	30.45	22.48
Cost to average assets[(4)]	2.14	2.26	2.23
Tier I capital adequacy ratio	14.81	13.36	11.81
Tier II capital adequacy ratio	0.65	0.57	0.58
Total capital adequacy ratio	15.46	13.93	12.39
Net non-performing assets ratio[(5)]	0.73	1.64	1.28
Allowance as percentage of gross non-performing assets[(6)]	63.00	42.00	43.68
Average net worth to total average assets[(7)]	9.61	9.36	8.49
Credit to deposit ratio[(8)]	72.41	73.37	75.09
Cost to income ratio[(9)]	50.05	57.06	53.44
Other income to operating income ratio[(10)]	26.73	24.37	26.17

Notes:

(1) *Return on average equity is the ratio of the net profit after tax to the average net worth (capital plus reserves minus intangibles).*
(2) *Return on average assets is the ratio of the net profit after tax to the average assets.*
(3) *Dividend payout ratio is the ratio of dividend to net profit after tax.*
(4) *Cost to average assets is the ratio of the operating expenses, to the average assets.*
(5) *Net non-performing assets ratio is the ratio of net non-performing assets divided by net advances.*
(6) *Allowance as a percentage of gross non-performing assets is the ratio of NPA provisions made to the gross NPAs.*
(7) *Average net worth to total average assets is the ratio of average capital and reserves minus intangibles divided by total average assets.*
(8) *Credit to deposit ratio is calculated as a ratio of total advances to total deposits.*
(9) *Cost to income ratio is calculated as a ratio of operating expenses divided by total operating income (total of net interest income and non-interest income).*
(10) *Other income to operating income ratio is calculated as a ratio of other income divided by total operating income (total of net interest income and non-interest income).*
(11) *From fiscal year 2017, due to change in reporting standard, dividends declared shall be accounted for in the year of approval by the shareholders and actual payment.*

Capital Adequacy

The following table sets out our capital adequacy ratios as of March 31, 2015, 2016 and 2017:

(₹ in millions, except percentages)

	As of March 31,		
	2015	**2016**	**2017**
Common Equity Tier I (CET I)	75,342.29	77,918.45	85,392.59
Additional Tier I capital	0	0	0
Tier I capital	75,342.29	77,918.45	85,392.59
Tier II capital	3,307.89	3,336.40	4,160.76
Total Capital	78,650.19	81,254.84	89,553.35
Credit Risk – RWA	435,717.75	493,252.72	625,384.90
Market Risk – RWA	29,958.08	37,030.82	40,529.31
Operational Risk – RWA	43,210.50	53,017.49	57,040.11
Total risk weighted assets	508,886.33	583,301.03	722,954.32

	As of March 31,		
	2015	2016	2017
CET I Ratio (%)	14.81	13.36	11.81
Capital Adequacy Ratio – Tier I capital (%)	14.81	13.36	11.81
Capital Adequacy Ratio –Tier II capital (%)	0.65	0.57	0.58
Total Capital Adequacy Ratio (%)	15.46	13.93	12.39

INDUSTRY OVERVIEW

*The information in this section has been extracted from publicly available documents from various sources, including officially prepared materials from the Government and its various ministries, the Reserve Bank of India ("**RBI**") and the Indian Banks' Association, and has not been prepared or independently verified by us or any of our BRLMs. Wherever we have relied on figures published by the RBI, unless stated otherwise, we have relied on the RBI Annual Report 2015-16, Report on Trend and Progress of Banking in India 2015-16 and the accompanying Explanatory Notes, Financial Stability Report (Including Trend and Progress of Banking in India 2015-16) December 2016 and Statistical Tables Relating to Banks in India, 2015-16 available at http://www.rbi.org.in. Industry sources and publications referred to by us state that the information contained therein has been obtained from sources generally believed to be reliable, but their accuracy, completeness and underlying assumptions are not guaranteed and their reliability cannot be assured and, accordingly, investment decisions should not be based on such information. Statements in this section that are not statements of historical fact constitute "forward-looking statements". Such forward-looking statements are subject to various risks, assumptions and uncertainties and certain factors could cause actual results or outcomes to differ materially.*

Indian Economy

The Indian economy is one of the largest economies in the world with a gross domestic product ("**GDP**") at market prices of an estimated ₹152.5 trillion for fiscal year 2017. (*Source: Central Statistical Office of India's Ministry of Statistics and Programme Implementation, available at http://mospi.nic.in/sites/default/files/press_release/nad_pr_28feb17r.pdf as of April 30, 2017*.) It is one of the fastest growing major economies in the world with private final consumption contributing over half of the overall GDP growth of 7.9% in 2015-16. (*Source: RBI Annual Report 2015-16.*) In recent years, India has become a popular destination for foreign direct investment ("**FDI**"), owing to its well-developed private corporate sector, large consumer market potential, large well-educated and English speaking workforce and well-established legal systems. Overall, India attracted FDI of approximately U.S$55.4 billion in fiscal year 2016 and U.S$45.1 billion in fiscal year 2015 as compared to an average of U.S$23.1 billion from fiscal year 2001 to fiscal year 2013. (*Source: Department of Industrial Policy and Promotion, Ministry of Commerce & Industry, Government of India – Fact Sheet on FDI from April 2000 to December 2016*.)

Fiscal year 2016 was characterised with a moderate recovery for the Indian economy amidst global trade uncertainties. Maintaining macroeconomic stability and external viability remain key priorities for the Indian economy while stimulating private investment and reinvigorating the banking sector. Domestic GDP growth showed a marginal improvement from 7.2% in fiscal year 2015 to 7.9% in fiscal year 2016, primarily attributable to an increase in private final consumption expenditure from 6.2% in fiscal year 2015 to 7.4% in fiscal year 2016. (*Source: RBI Annual Report 2015-16.*) However Real GDP growth slowed to 7.1% in fiscal year 2017. The CSO data depicts that this growth was led by increases in private consumption demand, even as capital formation remained weak. Gross value added ("**GVA**") increased from 6.9% for fiscal year 2015 to 7.8% in fiscal year 2016 but decreased in fiscal year 2017 to 6.7%. (*Source: Central Statistical Office of India's Ministry of Statistics and Programme Implementation, available at http://mospi.nic.in/sites/default/files/press_release/nad_pr_28feb17r.pdf as of April 30, 2017*) A strong monsoon season helped to increase agricultural production, and reduced food-based inflation. The salary increases for central government employees also contributed to the further development of the Indian economy. However, private investment remained weak in fiscal year 2017, and demonetisation further added, albeit marginally, to slowdown in growth.

Overall, the domestic growth prospects remain positive based on expectations that the current Government, which took office in May 2014 with a strong mandate, could spur the reform process to address the structural bottlenecks that have hampered growth over the past few years. This may in turn help to revive growth prospects in the Indian economy.

India's inflation dynamics have become favourable over the last three years. The consumer price index ("**CPI**") inflation has fallen from a high of 6.0% in fiscal year 2015 to 4.9% in fiscal year 2016 and 4.5% in fiscal year 2017. Food inflation declined, aided by a slight increase in minimum support price for food grains and better food supply management by the government. Measures of underlying trends, such as core inflation and rural wage growth, remained muted. Core CPI inflation picked up to 4.7% in fiscal year 2017 as against 4.3% in fiscal year 2016. (*Source: RBI Handbook of Statistics on the Indian Economy available at http://www.rbi.org.in and Economic Survey 2016-17 available at http://indiabudget.nic.in/budget2016-2017/es2014-15/echapter-vol1.pdf*) The Government appears to be firmly committed to fiscal consolidation. The fiscal deficit has been reduced from 4.1% in fiscal year 2015 to 3.9% in fiscal year 2016 and 3.5% in fiscal year 2017. Despite increasing government expenditure in fiscal year 2017, the Government was able to achieve its fiscal deficit target of 3.5% of GDP due to better revenue receipts. In its budget presented on February 1, 2017, the Government announced that the Fiscal Responsibility and Budget Management Committee has recommended a 3% fiscal deficit for the next three years, keeping in mind the sustainable debt target and a need for public investment. The Government ultimately decided on targeting fiscal deficit at 3.2% of GDP for fiscal year 2018. (*Source: Union Budget of India, 2017-18 available at http://indiabudget.nic.in/ub2017-18/bag/bag1.pdf*)

India has also come a long way over the past few years in terms of external sector adjustments with current account deficits decreasing and balance of payments increasing. Despite moderation in India’s exports, India’s current account deficit has increased from US$ 7.1 billion (1.4% of GDP) in Q3 of fiscal year 2016 to US$7.9 billion (1.4% of GDP) in Q3 of fiscal year 2017. (*Source: The RBI's Developments in India’s Balance of Payments during the Third Quarter (October - December) of 2016-17).* The balance of payment surplus has been healthy owing to better foreign portfolio inflows and steady FDI flows. Foreign exchange reserves have risen to US$367 billion as of end-March 2017 from US $356 billion as of end-March 2016 and US $341.4 billion as of end-March 2015. (*Source: The RBI's Weekly Statistical Supplement)*

Domestic macroeconomic stability has also been achieved by a narrowing of fiscal and current account deficits and reducing inflation which has helped to stabilise the Indian rupee. The Indian Rupee was largely resilient against the US dollar in fiscal year 2015, and depreciated marginally by an average of 1.1% over fiscal year 2015. The Indian Rupee declined overall in fiscal year 2016 due to emerging market sell-offs, expectations of an interest rate increase by the US Federal Reserve, global uncertainty due to the devaluation of the Chinese Yuan and changes in China's exchange rate policy. In fiscal year 2017, the Indian Rupee experienced two-way volatility due to India's improving macroeconomic fundamentals, the outcome of the US presidential election, foreign institutional investment flows into India and the passage of India's GST bill. While the Indian Rupee ended fiscal year 2017 on a strong note at ₹64.84 to the US dollar, rallying ~4.7% from end-December 2016, it depreciated on an average of 2.4% against the US dollar between fiscal year 2016 and fiscal year 2017. (*Data Source: Bloomberg) (Alternative source: RBI's Database on Indian Economy; https://dbie.rbi.org.in/DBIE/dbie.rbi?site=home)*

Indian Banking Industry

Until the 1980s, the Indian financial system was strictly controlled. Interest rates were administered by the Government. Formal and informal parameters governed asset allocation and strict controls limited entry into and expansion within the financial sector. Bank profitability was low, non-performing assets ("**NPAs**") were comparatively high, capital adequacy was diminished and operational flexibility was hindered. The Government's economic reform programme, which began in 1991, encompassed the financial sector. The first phase of the reform process began with implementation of the recommendations of the Committee on the Financial System, namely the Narasimham Committee I. Following that, reports were submitted in 1997 and 1998 by other committees, such as the second Committee on Banking Sector Reform, namely, the Narasimham Committee II, and the Tarapore Committee on Capital Account Convertibility. This led to the second phase of reforms relating to capital adequacy requirements, asset classification and provisioning, risk management and merger policies. The deregulation of interest rates, the emergence of a liberalised domestic capital market and the entry of new private sector banks have progressively intensified the competition among banks.

Banks in India may be categorised as scheduled banks and non-scheduled banks, where the former are banks which are included in the second schedule to the RBI Act 1934, as amended. These banks comprise scheduled commercial banks and scheduled cooperative banks. Scheduled commercial banks may further be classified as the State Bank of India ("**SBI**") and its associates, nationalised banks, private sector banks, foreign banks and regional rural banks. (In the RBI reports, regional rural banks are usually excluded in tables providing details of individual banks and their summary tables at bank group level.) The focus of commercial banks in India has largely been on meeting the short-term financing needs of industry, trade and agriculture sectors. As of December 2016, there were 148 scheduled commercial banks in the country and commercial banks had a nationwide network of 136,412 offices with 62.5% of the offices in rural and semi-urban areas. (*Source: RBI, "Progress of Commercial Banking at a Glance" as of December 2016, available at http://www.rbi.org.in/*) As of December 2016, scheduled commercial banks, not including regional rural banks, had approximately ₹106.1 trillion of deposits and approximately ₹74.9 trillion of loans and advances. Aggregate deposits for all scheduled commercial banks had registered an annual growth rate of 16.4% while the loans and advances for all scheduled commercial banks had increased by 5.8%. (*Source: "Progress of Commercial Banking at a Glance" as of December 2016, available at http://www.rbi.org.in/*) The credit deposit ratio for all scheduled commercial banks stood at 70.6. (*Source: RBI, "Progress of Commercial Banking at a Glance" as of December 2016, available at http://www.rbi.org.in/*)

The RBI Financial Stability Report noted that among financial institutions, the asset quality of public sector banks, scheduled urban co-operative banks and non-banking financial companies has deteriorated. The banking stability indicator showed that risks to the banking sector remained elevated. Though the capital adequacy of banks was above regulatory requirements, continuous deterioration in their asset quality, low profitability and liquidity contributed to the high level of overall risk. The gross NPA ratio of scheduled commercial banks increased to 9.1% in September 2016 from 7.8% in March 2016, pushing the overall stressed advances ratio to 12.3% from 11.5% during the same period. Large borrowers registered significant deterioration in their asset quality, whereas the restructured standard advances ratio declined during the same period. The capital to risk (weighted) assets ratio ("**CRAR**") of scheduled commercial banks remains unchanged during the first half of fiscal year 2016 while public sector banks continued to record the lowest CRAR among banks. The Indian banking sector, as a whole, has maintained its CRAR above the regulatory requirement of 9.0% under Basel III.

Constituents of the Indian Banking Industry

The Reserve Bank of India

The RBI is the central regulatory and supervisory authority for the Indian banking sector. Besides regulating and supervising the banking system, the RBI performs the following important functions:

- acts as the central bank and the monetary authority;

- issues currency;
- manages debt for the central and certain state governments that have entered into agreements with it;
- regulates and supervises financial institutions including banking institutions and non banking financial companies ("**NBFCs**");
- manages the country's foreign exchange reserves;
- manages the capital account of the balance of payments;
- regulates and supervises payment settlement systems;
- operates a grievance redress scheme for bank customers through the banking ombudsmen and formulates policies for fair treatment of banking customers; and
- develops initiatives such as financial inclusion and strengthening of the credit delivery mechanisms to priority sectors and weaker sections, including agricultural entities, small and micro-enterprises and for affordable housing and education.

The RBI issues guidelines on various issues relating to the financial reporting of entities under its supervision. These guidelines regulate exposure standards, income recognition practices, asset classification, provisioning for non-performing and restructured assets, investment valuation and capital adequacy. All the institutions under the purview of the RBI are required to furnish information relating to their businesses on a regular basis.

Public sector banks

Public sector banks are scheduled commercial banks with a significant Government shareholding and constitute the largest category in the Indian banking system. These include the SBI, 19 nationalised banks and 56 regional rural banks with 45 sustainable regional rural banks. The regional rural banks were established by the Government of India, the state governments and sponsoring commercial banks in an effort to develop the rural economy. These regional rural banks are regulated and supervised by National Bank for Agriculture and Rural Development ("**NABARD**"). In June 2016, the Government approved the merger of SBI with its five associate banks. On April 1, 2017, the merger was completed and the SBI now functions as a unified entity.

Public sector banks accounted for 66.2% of gross bank credit and 70.6% of the aggregate deposits of the scheduled commercial banks as of December 2016. (*Source: Quarterly Statistics on Deposits and Credit of Scheduled Commercial Banks (SCBs) as on December 31, 2016.*)

Private sector banks

After bank nationalisation was completed in 1969 and 1980, the majority of Indian banks were public sector banks. Some of the existing private sector banks, which showed signs of an eventual default, were merged with state-owned banks. In July 1993, as part of the banking reform process and as a measure to induce competition in the banking sector, the RBI permitted entry by the private sector into the banking system. This resulted in the emergence of private sector banks, collectively known as the "New Private Sector Banks". As of December 2016, there are a total of 21 private banks. (*Source: RBI Report on Trend and Progress of Banking in India 2015-16.*) Private sector banks grew their aggregate deposits by 23.6% and grew their bank credit by 17.7%. These figures do not include regional rural banks. (*Source: Statistical Tables Relating to Banks in India, 2015-16.*)

The Union Finance Minister made an announcement in his budget speech for 2010-11 that there was a need to extend the geographic coverage of banks and improve access to banking services and the RBI considered whether to begin granting additional banking licences to private sector players.

Following the budget announcement, the New Banks Licensing Guidelines were issued by the RBI in February 2013 specifying that select entities or groups in the private sector, entities in the public sector and non-banking financial companies with a successful track record of at least 10 years would be eligible to promote banks. Further, the RBI has published certain criteria for ascertaining whether a bank is "fit and proper" for the grant of a licence. The new banks can be set up only through a non-operative financial holding company registered with the RBI and the initial minimum paid-up equity voting capital requirement for the applicants is ₹ 5.0 billion, with foreign shareholding not exceeding 49.0% for the first five years.

On April 2, 2014, the RBI granted in-principle approval to two applicants (Infrastructure Development Finance Company (IDFC) Limited and Bandhan Financial Services Private Limited) to set up banks under the New Banks Licensing Guidelines. Both of these non-banking finance companies began operations during fiscal year 2016.

Further, on July 17, 2014, the RBI released the draft guidelines for "Licensing of Payments Banks" and for "Licensing of Small Banks", which are aimed at expanding the banking space and paving the way for corporate entities to enter these two segments. The RBI issued its final guidelines in November 2014 on the entry of "Small Finance Banks" and "Payments Banks" into the private sector in the banking industry, including the eligibility criteria, structure, capital requirements, shareholding structure and corporate governance practices applicable to such proposed entities. In August 2015, the RBI issued licences to two new private sector banks and 11 payment banks. Subsequently, ten small finance banks licenses were granted in September 2016. On August 1, 2016, RBI also issued guidelines with respect to an "on tap" (continuous) licensing policy for universal banks. Five of such small finance banks have started operations in India, they are Capital Small Finance Bank Ltd, Suryoday Small Finance Bank Ltd, Equitas Small Finance Bank Ltd, Utkarsh Small Finance Bank Ltd and Ujjivan Small Finance Bank Ltd.

Airtel Payments Bank Ltd began operations as India's first payments bank in January 2017. They were subsequently followed by India Post, FINO PayTech, Jio Payments Bank, PayTM, National Securities Depository Ltd and Aditya Birla Idea Payments Bank, putting the total number of payments bank in India at 7.

On April 7, 2017, the RBI released a discussion paper on Wholesale and Long-Term Finance banks. These banks will focus primarily on lending to infrastructure sector and small, medium and corporate businesses. These banks can provide refinancing to lending institutions and shall be present in the capital markets in the form of aggregators. The banks can also act like market makers in corporate bonds, credit derivatives and take out financing amongst others.

Foreign banks

As of December 2016, there were 44 foreign banks operating in India with a combined total of 284 branches.

As of fiscal year 2013, there were 43 foreign banks with 327 offices operating in India. (*Source: RBI website, data as of September 30, 2014.*) As of fiscal year 2014, foreign banks accounted for approximately 4.1% of deposits and approximately 4.3% of aggregate advances of scheduled commercial banks (not including regional rural banks). (*Source: Statistical Tables Relating to Banks in India, 2013-14.*)

In 2009, as part of the liberalisation process that accompanied the second phase of the reform process that began in 2005, the RBI began permitting foreign banks to operate more freely, subject to requirements largely similar to those imposed on domestic banks. The primary activity of most foreign banks in India has been in the corporate segment. However, some of the larger foreign banks have made retail banking a significant part of their portfolios in recent years. Most foreign banks operate in India through branches of the parent bank. Certain foreign banks also have wholly owned non-banking financial company subsidiaries or joint ventures for both corporate and retail lending. In 2004, the RBI stipulated that banks, including foreign banks operating in India, should not acquire any fresh stake in another bank's equity shares if, by such acquisition, the investing bank's holding would exceed 5.0% of the investee bank's equity capital. In February 2005, the RBI issued a "Roadmap for Presence of Foreign Banks in India", announcing the following measures to be implemented in two phases:

- During the first phase (from March 2005 to March 2009), foreign banks were allowed to establish a presence by setting up wholly owned subsidiaries or by converting existing branches into wholly-owned subsidiaries.
- Also during the first phase, foreign banks were allowed to acquire a controlling stake in private sector banks identified by the RBI for restructuring. This was only to be done in a phased manner.
- For new and existing foreign banks, proposals were made to go beyond the existing World Trade Organisation commitment of allowing increases of 12 branches per year. A more liberal policy will be followed for areas with a small number of banks.
- During the second phase (from April 2009 onwards) and after a review of the first phase, foreign banks would be allowed to acquire up to 74.0% in private sector banks in India.

In April 2009, in light of deteriorating global financial markets, the RBI postponed the second phase until greater clarity emerged as to recovery and reform of the global regulatory and supervisory architecture. In January 2011, the RBI released a draft discussion paper on the mode of presence of foreign banks in India. The paper indicates a preference for a wholly owned subsidiary model of presence over a branch model. Other recommendations of the discussion paper include requiring systemically important foreign banks to convert their Indian operations into wholly-owned subsidiaries, a less restrictive branch expansion policy and ability to raise Rupee debt through issuance of non-equity capital instruments for such converted subsidiaries, lower priority sector targets as compared to domestic banks and unified regulation for both Indian and foreign banks with respect to investments in subsidiaries and associates.

In July 2012, the RBI revised priority sector lending norms and mandated foreign banks with 20 branches or more in India to meet priority lending norms as prescribed for domestic banks.

In November 2013, the RBI issued a scheme for setting up wholly owned subsidiaries by foreign banks in India. The scheme envisages that foreign banks that commenced business in India after August 2010 would be permitted to do so only through wholly owned subsidiaries if certain specified criteria apply to them. These criteria include incorporation in a jurisdiction which gives legal preference to home country depositor claims in case of a winding up proceeding, among others.

Further, a foreign bank that has set up operations in India through the branch mode after August 2010 will be required to convert its operations into a subsidiary if it is considered to be systemically important. A bank would be considered to be systemically important if the assets on its Indian balance sheet (including credit equivalent of off-balance sheet items) equals 0.25% of the total assets (inclusive of credit equivalents of off- balance sheet items) for all scheduled commercial banks in India as of March 31 of the preceding year. Establishment of a subsidiary would require approval of the home country regulator/supervisor and the RBI, which would be subject to various factors, including economic and political relations with the country of incorporation of the parent bank and reciprocity with the home country of the parent bank. The regulatory framework for a subsidiary of a foreign bank would be substantially similar to that applicable to domestic banks, including with respect to priority sector lending and branch expansion. Wholly-owned subsidiaries of foreign banks may, after further review, be permitted to enter into merger and acquisition transactions with Indian private sector banks, subject to adherence to the foreign ownership limit of 74.0% that is currently applicable to Indian private sector banks.

Cooperative banks

Cooperative banks cater to the financing needs of agriculture, small industry and self-employed businessmen in urban, semi-urban and rural areas of India. The state land development banks and the primary land development banks provide long-term credit for agriculture. The Banking Regulation (Amendment) and Miscellaneous Provisions Act, 2004, which came into effect from September 24, 2004, specifies that all multi-state cooperative banks are under the supervision and regulation of the RBI. Accordingly, the RBI is currently responsible for the supervision and regulation of urban cooperative societies, NABARD, state cooperative banks and district central cooperative banks. The wide network of cooperative banks, both rural and urban, supplements the commercial banking network for deepening financial intermediation by bringing a large number of depositors/borrowers under the formal banking network.

Key Banking Industry Trends in India

Relative to the previous quarters, economic activity in India lost pace in the first half of 2016-2017. Weak domestic demand coupled with global economic slowdown and financial market turbulence has affected net exports and overall economic activity in India. However, the Government has sought to change this by increasing public spending, reviving agricultural activity and having a sizable upward revision in the wages and salaries of the public sector. This should lead to further growth in GDP across the economy for the rest of 2016-17. The increase in GDP is aided by a gradually recovering global economy, which in turn supports exports and spurs capital inflows driven by the ongoing search for yields in international financial markets. The inflation outlook for 2016-17 has improved with the Government setting out its inflation target of 4% with a 6% upper tolerance level and a 2% lower tolerance level on August 5, 2016. Between a robust domestic consumption with muted private investment and weak global demand, close vigilance is required for India to achieve its inflation target of 4%. (*Source: RBI Monetary Policy Report – October 2016.*)

India's macroeconomic performance and the RBI's targeted inflation goals have influenced the domestic banking industry. As the emerging market economies slow down due to severe domestic imbalances, global economic slowdown and the downturn in credit growth with rising stresses in corporate and financial sectors, India recorded a higher economic growth due to improvements in private final consumption in 2015-16. The banking sector was also burdened by its non-performing assets which increased sharply during the year. A slowdown in credit growth and profit growth was also recorded across the industry. This has resulted in a decrease in the return on assets and return on equity among the banks. However, the capital adequacy positions showed an improvement due to the capital infusion by the Government and the closer alignment of India's capital adequacy framework with the Basel Committee on Banking Supervision's guidelines. (*Source: Report on Trend and Progress of Banking in India 2015-16.*)

While the growth of the Indian banking sector moderated further during 2015-16 due to weakening credit growth and an increase in non-performing assets, the Reserve Bank is committed to pursuing a long-term vision of developing a sound, competitive, inclusive and customer friendly banking sector. In the pursuit of this goal, the Reserve Bank will explore the possibility of creating new kinds of differentiated banks, scale up the Business Correspondent model, improve the existing payment infrastructure and design an appropriate ombudsman scheme for the non-banking financial companies. (*Source: Report on Trend and Progress of Banking in India 2015-16.*)

Consumer credit

The consumer credit market in India has undergone a significant transformation over the last decade and has experienced rapid growth due to consumer credit becoming cheaper, more widely available and increasingly a more acceptable avenue of funding for consumers. The market has changed dramatically due to the following factors:

- increased focus by banks and financial institutions on consumer credit, resulting in a market shift towards regulated players from unregulated moneylenders/financiers;
- increasing desire by consumers to acquire assets such as cars, goods and houses on credit;
- fast emerging middle class and growing number of households in a bank's target segment;
- improved terms of credit;
- legislative changes that offer greater protection to lenders against fraud and potential default, increasing the incentive to lend; and
- growth in assignment and securitisation arrangements for consumer loans, enabling non-deposit based entities to access wholesale funding and compete in the market, based on the ability to originate, underwrite and service consumer loans.

Commercial Banking Trends

Credit

As of fiscal year 2016, the credit-deposit ratio for scheduled commercial banks was 77.9 as compared to 77.4 of the previous year. The aggregate deposits increased by 8.6% while loans and advances increased by 9.3% in fiscal year 2015. (*Source: RBI – Quarterly Statistics on Deposits and Credit of Scheduled Commercial Banks, available at http://www.rbi.org.in/.*)

Fiscal year 2017 was marked by a slight improvement in the overall growth of credit. While credit to agriculture and allied activities, the service sector and personal loans showed an improved growth, the industry sector saw a decline in comparison to fiscal year 2016. The slowdown within the industry sector was mainly seen in the infrastructure, food processing, basic metal & metal products, and textiles areas. (*Source: RBI Data on Sectoral Deployment of Bank Credit – February 2017.*)

Fiscal year 2016 saw the Reserve Bank placing a great focus on ensuring adequate credit flow to various segments in the priority sector. As a result, there was a sharp rise in the growth of priority sector credit in fiscal year 2016 to 16.0% as compared to the previous year's growth of 9.3%. The growth in priority sector credit well surpassed the growth in overall credit. The growth in priority sector credit for fiscal year 2016 can be partially attributed to the housing loans credits which increased significantly. (*Source: Report on Trend and Progress of Banking in India 2015-16.*)

In fiscal year 2016, credit to priority sectors by public and private sector banks was 39.3% and 45.1% of adjusted net bank credit or credit equivalent of off-balance sheet exposure, whichever is higher, respectively, indicating a shortfall against the overall priority sector lending target of 40.0%. (*Source: Report on Trend and Progress of Banking in India 2015-16.*)

Indian Life Insurance Industry

The size of the Indian life insurance sector was ₹3.7 trillion on a total premium basis in fiscal year 2016. (*Source: Handbook on Indian Insurance Statistics, Insurance Regulatory and Development Authority of India*) The total premium in the Indian life insurance sector grew by 11.84% in fiscal year 2016. (*Source: Annual Report 2015-16, Insurance Regulatory and Development Authority of India*) Despite this, India continues to be an underpenetrated insurance market with a life insurance penetration of 2.7% in fiscal year 2015, as compared to 3.7% in Thailand in calendar year 2015, 7.3% in South Korea in calendar year 2015 and a global average of 3.5% in calendar year 2015. The insurance density in India also remains very low as compared to other developed and emerging market economies. (*Source: Handbook on Indian Insurance Statistics*, *Insurance Regulatory and Development Authority of India*)

Interest rates and inflation

Inflation, as measured by the CPI, has seen a secular decline over the past few years. Specifically during fiscal year 2016, CPI inflation witnessed three phases. In the early months of fiscal year 2016, there were food price pressures stemming from unseasonal rains and subsequently from a delayed onset of the southwest monsoon. Inflation ebbed to an intra-year low of 3.7% in August 2015, the lowest since November 2014. The relatively lower inflation is due to a high inflation in the corresponding period in fiscal year 2015. In the second phase from September 2015, inflation rose month after month to 5.7% in January 2016, albeit falling below the RBI target of 6% set for that month. In the third phase of February and March 2016, vegetable prices declined and favourable price corrections and downward adjustments in fuel prices pulled down headline inflation to 4.8% in March 2016. For the year as a whole, inflation averaged 4.9%, a decrease from 6.0% in the preceding year.

CPI Inflation fell further in fiscal year 2017, averaging 4.5%, largely driven by a sharp decrease in food inflation due to the strong monsoon. Core CPI inflation has picked up to 4.7% in fiscal year 2017 as against 4.3% in fiscal year 2016. The deflationary effect was more pronounced in the wholesale price index ("**WPI**"), which contracted 2.5% for fiscal year 2016 as compared to an increase of 2.0% in fiscal year 2015 (*Source: RBI Handbook of Statistics on the Indian Economy available at http://www.rbi.org.in.*) However, WPI inflation increased to 3.7% in fiscal year 2017 due to a reversal of favourable base effect and increases in oil and other commodity prices. (*Source: Office of the Economic Adviser, Ministry of Commerce & Industry of the Government of India available at http://eaindustry.nic.in/)*

The monetary policies of the RBI play a major role in managing India's inflation. These policies are largely steered by the Monetary Policy Framework Agreement entered into on February 20, 2015 between the Government of India and the RBI. The key agenda for the RBI was to: (i) entrench a durable process to deflate consumer price index inflation; (ii) improve transmission of the policy rate to bank lending rates by ensuring appropriate liquidity management which is aligned with the monetary policy stance; and (iii) dampen the volatility of the weighted average call rate and other money market rates around the repo rate.

The RBI has constantly relied on adjustments of the repo rate to meet its policy agenda. Due to a steady fall in CPI inflation, the RBI had cut policy rates by an aggregate of 175bps since January 2015. The repo rate was first reduced by 25 bps in January 2015 to address the weak investment climate and the need to mitigate supply constraints. In September 2015, the benign cereal prices and moderation in crude oil prices motivated the RBI to cut the policy repo rate by 50 bps to boost domestic demand and stimulate investment. In order to bring the CPI inflation rate down to 5%, the RBI further reduced the repo rate by 25 bps to 6.5% in April 2016, which was the lowest the repo rate has been since March 2011. The policy rate corridor was narrowed by reducing the marginal standing facility ("**MSF**") rate by 75 bps to 7% and increasing the reverse repo rate by 25 bps to 6% for a finer alignment of the weighted average call rate with the policy repo rate. (*Source: RBI Annual Report 2015-16 available at http://www.rbi.org.in*.)

In the first bi-monthly monetary policy statement for fiscal year 2017 announced on April 5, 2016, the RBI reduced the repo rate from 6.75% to 6.5%. The minimum daily maintenance of the cash reserve ratio was also reduced to 90% of the requirement in order to ease liquidity management for banks without abandoning liquidity discipline. In the second bi-monthly monetary policy statement announced on June 7, 2016, the RBI maintained both the repo rate and the cash reserve ratio rates. Consequently, the reverse repo rate and the MSF rates were all unchanged. In the third bi-monthly monetary policy statement announced on August 9, 2016, the RBI continued its previous position and kept the repo rate, cash reserve ratio, reverse repo and MSF rates unchanged. In the fourth bi-monthly monetary policy statement announced on October 4, 2016, the RBI further reduced the repo rate by 25 bps to 6.25% and the reverse repo rate was adjusted to 5.75% with the MSF rate at 6.75%. The repo rate has been maintained at 6.25% ever since the last adjustment on October 4, 2016. However, in the December 2016 and February 2017 policies, the RBI's tone turned relatively hawkish and the RBI changed its stance from accommodative to neutral, premised on upside risk to inflation, limited transient growth drag owing to demonetization and global risks. (*Source: Monetary Policy, Reserve Bank of India available at http://www.rbi.org.in*.)

Base rate system and the marginal cost of funds based lending rate

The base rate system, which replaced the benchmark prime lending rate system introduced in 2003, became effective from July 2010 and has contributed to improvement in the pricing of loans, enhanced transparency in lending rates and has improved the assessment of the transmission of monetary policy. This, combined with freeing of interest rates on export credit in foreign currency, effective May 5, 2012, has resulted in complete deregulation of interest rates on lending by commercial banks. As proposed in the RBI Second Quarter Review of Monetary Policy 2010-11 and pursuant to Guidelines on Deregulation of Savings Bank Deposit Interest Rate, the RBI decided to deregulate the savings bank deposit interest rate, effective October 25, 2011, subject to the following two conditions:

- *first*, each bank will have to offer a uniform interest rate on savings bank deposits up to ₹ 100,000, irrespective of the amount in the account within this limit; and
- *second*, for savings bank balances over ₹ 100,000, a bank may provide differential rates of interest, if it so chooses. However, there should not be any differentiation on interest rates between similar deposit amounts accepted on the same date at any of a bank's branches.

On December 17, 2015, the RBI also released the final guidelines on computing interest rates on advances based on the marginal cost of funds. These guidelines came into effect on April 1, 2016 with the introduction of the Marginal Cost of Funds based Lending Rate ("**MCLR**") system under which new rupee loans and renewal of credit limits would be priced with reference to the MCLR. Apart from helping to improve the transmission of policy rates into the lending rates of banks, these measures are also expected to improve transparency in the methodology followed by banks for determining interest rates on advances. The guidelines are also expected to ensure availability of bank credit at interest rates which are fair to the borrowers as well as the banks. Further, marginal cost pricing of loans will help the banks become more competitive and enhance their long-run value and contribution to economic growth.

As per these guidelines issued by the RBI, banks have to publish the MCLR for various tenors which will be the internal benchmark lending rates. Based on the MCLR, interest rates for different types of customers should be fixed in accordance with their respective risk profiles.

The MCLR is to be reviewed and published every month. According to these guidelines, banks have to set five benchmark rates for different tenures or time periods ranging from overnight (one day) rates to one year. The new methodology uses the marginal cost or latest cost conditions reflected in the interest rate given by the banks for obtaining funds while setting their lending rate. (*Source: RBI Annual Report 2015-16.*)

Asset quality

The gross NPA ratio for scheduled commercial banks increased from 7.8% in March 2016 to 9.1% in September 2016, pushing the overall stressed advances ratio to 12.3% from 11.5%. This deterioration in NPAs occurred for both public sector banks and foreign banks. In September 2016, the gross and net NPA ratio for public sector banks stood at 11.8% and 7.4%, respectively. Private sector banks recorded stable gross and net NPA ratios as 3.2% and 1.6% in September 2016, respectively. (*Source: RBI Financial Stability Report December 2016.*)

Across the industry, the banks have been making efforts to reduce the amount of NPA via various legal dispute resolution channels such as Lok Adalats, Debt Recovery Tribunals and the invocation of SARFAESI. In 2015-16, the recovery rate of all banks decreased. The scheduled commercial banks recovered ₹227.68 billion as against ₹307.92 billion during the previous year and the public sector banks could only recover ₹197.57 billion as against ₹278.49 billion during the previous year. The reduced recovery rate was largely due to a 52% reduced recovery rate for SARFAESI. Recovery rates for Lok Adalats and Dispute Recovery Tribunals increased by 127.6% and 51.2%, respectively. Four sub-sectors (Basic metal, construction, textiles and food processing) had above 20% of the stressed advances for their respective sectors. These four sub-sectors had 30.5% of total stressed advances of all scheduled commercial banks as of September 2016. (*Source: Financial Stability Report December 2016.*)

Income and profitability

During fiscal year 2016, there was a 60% decrease in net profits for the banking sector as a whole. The deterioration in asset quality has led to an increase in the provisioning measures for such non-performing assets. This has adversely impacted revenues for the scheduled commercial banks. Despite the various issues affecting the banking sector, private banks and foreign banks both reported net profits. Only the public sector banks incurred losses of ₹ 180 billion with net profits declining by 148% over the previous year. Return on assets for the scheduled commercial banks decreased by 61.7% from 0.81 in fiscal year 2015 to 0.31 in fiscal year 2016 and return on equity for the scheduled commercial banks decreased by 65.5% from 10.42 in fiscal year 2015 to 3.59 in fiscal year 2016. (*Source: Report on Trend and Progress of Banking in India 2015-16.*)

Indian Life Insurance Industry

The size of the Indian life insurance sector was ₹3.7 trillion on a total premium basis in fiscal year 2016. (*Source: Handbook on Indian Insurance Statistics, Insurance Regulatory and Development Authority of India*) The total premium in the Indian life insurance sector grew by 11.84% in fiscal year 2016. (*Source: Annual Report 2015-16, Insurance Regulatory and Development Authority of India*) Despite this, India continues to be an underpenetrated insurance market with a life insurance penetration of 2.7% in fiscal year 2015, as compared to 3.7% in Thailand in calendar year 2015, 7.3% in South Korea in calendar year 2015 and a global average of 3.5% in calendar year 2015. The insurance density in India also remains very low as compared to other developed and emerging market economies. (*Source: Handbook on Indian Insurance Statistics, Insurance Regulatory and Development Authority of India*)

Impact of Liberalisation on the Indian Financial Sector

Until 1991, the financial sector in India was heavily controlled and commercial banks and long-term lending institutions, the two dominant financial intermediaries, had mutually exclusive roles and objectives and operated in a largely stable environment, with little or no competition. Long-term lending institutions were focused on the achievement of the Government's various socio-economic objectives, including balanced industrial growth and employment creation, especially in areas requiring development. Long-term lending institutions were extended access to long-term funds at subsidised rates through loans and equity from the Government and from funds guaranteed by the Government originating from commercial banks in India and foreign currency resources originating from multilateral and bilateral agencies.

The focus of the commercial banks was primarily to mobilise household savings through demand and time deposits and to use these deposits to meet the short-term financial needs of borrowers in industry, trade and agriculture. In addition, the commercial banks provided a range of banking services to individuals and business entities. However, there have been comprehensive changes in the Indian financial system since 1991. These changes have transformed the operating environment of banks and long-term lending institutions. In particular, the deregulation of interest rates, the emergence of a liberalised domestic capital market, and the entry of new private sector banks, along with the transformation of long-term lending institutions into banks, have progressively intensified the competition among banks.

Recent Developments in the Indian Banking Industry

- As part of the framework for revitalising distressed assets, the RBI introduced the Scheme for Sustainable Structuring of Stressed Assets for financial restructuring of large accounts on June 13, 2016. The process of selling stressed assets by banks was further streamlined to facilitate better valuation, price discovery and the creation of a vibrant stressed assets market.

- After consultation with the Government, the RBI also released a separate framework for the revival of distressed loans in this sector on March 17, 2016 after considering the difficulties faced by micro, small and medium enterprises in resolving and restructuring their stressed bank loans.

- The RBI has liberalised the banking licensing regime and intends to issue licences on an ongoing basis, subject to the RBI's qualification criteria. The RBI has issued licences to two new private sector banks, 11 payment banks and ten small finance banks in fiscal year 2016. On August 1, 2016, the RBI published the Guidelines for "on-tap" Licensing of Universal Banks in the Private Sector. As these licenses are "on-tap", there is no licensing window and applicants can apply at any time. While large industrial houses are barred, entities or groups in the private sector that are "owned and controlled by residents" (as defined in the FEMA Regulations, as amended from time to time) and have a successful track record for at least ten years are allowed to promote to universal banks, **provided that** such entity/group has total assets of ₹50 billion or more, and the non-financial business of the group does not account for 40% or more in terms of total assets or gross income.

- On April 1, 2016, the RBI replaced the existing base rate regime by pricing new rupee loans and renewal of credit limits with reference to the MCLR to ensure better transmission of policy rates.

Future Developments in the Banking Sector and Expected Domestic Reforms

Implementation of the Basel III capital regulations

In December 2010, the Basel Committee on Banking Supervision ("**BCBS**") issued a comprehensive reform package of capital regulations, Basel III. The objective of the reform package is to improve the banking sector's ability to absorb shocks arising from financial and economic stress, thus reducing the risk of spill over from the financial sector to the real economy. The RBI issued the RBI Basel III Capital Regulations and the guidelines became operational from April 1, 2013. However, the reform package and guidelines will be implemented in a phased manner. On December 31, 2013, the RBI further extended the implementation of credit valuation adjustment risk to April 1, 2014; and, on March 27, 2014, extended the deadline for full implementation of Basel III requirements to March 31, 2019. (*Source: RBI Circular DBOD.No.BP.BC.81/21.06.201/2013-14 dated December 31, 2013 and RBI Circular DBOD.No.BP.BC.102/21.06.201/2013-14 dated March 27, 2014.*)

Under Basel III, total capital of a bank in India must be at least 9.00% of RWAs (8.00% as specified by the BCBS), Tier I capital must be at least 7.00% of RWAs (6.00% as specified by the BCBS) and Common Equity Tier I capital must be at least 5.50% of RWAs (4.50% as specified by BCBS). Due to the transitional arrangements, the capital requirements of banks may be lower during the initial periods and higher during later years. Therefore, banks have been advised to carry out their capital planning accordingly. In addition to the minimum requirements as indicated above, banks are required to maintain a capital conservation buffer ("**CCB**") in the form of common equity of 2.50% of RWAs. Under the RBI Basel III Guidelines, total capital with CCB has been fixed at 11.50% of RWAs. In July 2014, the RBI released the *"Final Report of the Internal Working Group on Implementation of Counter-cyclical Capital Buffer (CCCB)",* which requires banks to maintain a buffer of up to 2.5% of RWAs in period of high credit growth as precaution for downturn. Further, as per the RBI's release on *"Framework for Dealing with Domestic Systemically Important Banks (D-SIBs)"* dated July 22, 2014, D-SIBs must have incremental capital of 0.2% to 0.8% and the quantum of capital required is dependent upon size, interconnectedness, substitutability and complexity of the bank.

Further, under Basel III, a simple, transparent, non-risk based leverage ratio has been introduced. The BCBS will test a minimum Tier I leverage ratio of 3.00% during a parallel run period from January 1, 2013 to January 1, 2017. The RBI has prescribed that, during this parallel run period, banks should strive to maintain their existing leverage ratios, but in no case should a bank's leverage ratio fall below 4.50%. Banks whose leverage is below 4.50% have been advised to achieve this target as early as possible. This leverage ratio requirement is yet to be finalised and will be finalised taking into account the final proposals of the BCBS. (*Source: RBI Annual Report 2011-2012*.) Additionally, in June 2014, the RBI released guidelines for a LCR as part of the Basel III framework on liquidity standards, which will require minimum LCRs starting at 60% as of January 1, 2015, increasing in equal annual steps to 100% by January 1, 2019.

Further, Additional Tier I non-equity capital instruments under Basel III are expected to provide additional features such as full coupon discretion, and principal loss absorption when the common equity ratio of a bank falls below 6.125% of its risk-weighted assets. In the case of Tier II non-equity capital instruments, the distinction between Upper Tier II and Lower Tier II instruments under Basel II is removed and a single class of Tier II instrument eligibility criteria has been prescribed. Additionally, under Basel III, loss absorption features have been included in the event of the occurrence of the "Point of Non-Viability" trigger. The RBI has also fixed the base at the nominal amount of capital instruments outstanding on January 1, 2013, and their recognition will be capped at 90.00% from April 1, 2013, with the cap reducing by 10.00% points in each subsequent year.

On August 31, 2015, the RBI designated the SBI and ICICI Bank Ltd. as domestic systemically important banks ("**D-SIB**"). Based on the methodology provided in the D-SIB framework and data collected from banks as of March 31, 2015, the SBI and ICICI Bank Ltd. will have to provide Additional Common Equity Tier 1 ("**CET1**") requirements as a percentage of risk weighted assets of 0.6% and 0.2%, respectively. The CET1 requirements applicable to D-SIBs will be applicable from April 1, 2016 in a phased manner and would become fully effective from April 1, 2019. The additional CET1 requirements will be in addition to the CCB.

Dynamic provisioning guidelines

At present, banks generally make two types of provisions; general provisions on standard assets and specific provisions on NPAs. Since the level of NPAs varies through the economic cycle, the resultant level of specific provisions also behaves cyclically. Consequently, lower provisions during upturns and higher provisions during downturns have a pro-cyclical effect on the real economy.

To address the pro-cyclicality of capital and provisioning, efforts at an international level are being made to introduce countercyclical capital and provisioning buffers. The RBI has prepared a discussion paper on a countercyclical (dynamic) provisioning (DP) framework.

The DP framework is based on the concept of expected loss, or "EL", which is the average level of losses a bank can reasonably expect to experience, and is considered the cost of doing business. It is generally covered by provisioning and pricing. The objective of DP is to soften the impact of incurred losses on the results of operations through the economic cycle, and not to provide a general provisioning cushion for EL. More specifically, the DP created during a year will be the difference between the long run average EL of the portfolio for one year and the incremental specific provisions made during the year. The parameters of the model suggested in the discussion paper are calibrated based on data of Indian banks. Banks that have the capability to calibrate their own parameters may, with the prior approval of the RBI, introduce a DP framework using the theoretical model indicated by the RBI. Other banks will have to use the standardised calibration provided by the RBI. (*Source: RBI Annual Report 2011-2012 and Discussion Paper on Introduction of Dynamic Loan Loss Provisioning Framework for Banks in India dated March 30, 2012*.)

Finance Sector Legislative Reforms Commission ("FSLRC")

The FSLRC was constituted on March 24, 2011 to redraft and harmonise legislation related to the financial sector. (*Source: RBI Report on Trend and Progress of Banking in India 2011-12*.)

In its approach paper released on October 1, 2012, the FSLRC has proposed a two-agency regulatory model; the RBI as the monetary authority, banking regulator and payment systems regulator, and a single regulator for the rest of the financial sector. (*Source: FSLRC, Ministry of Finance, Approach Paper and Press Release.*)

The FSLRC submitted its final report to the Government on March 22, 2013. As per this report, the FSLRC recommended a non-sectoral, principle-based, legislative architecture for the financial sector by restructuring and/or upgrading existing regulatory agencies and creating new agencies wherever necessary for better governance. On September 30, 2014, the Government announced the establishment of four new task forces to lay the roadmap for the upgrade of existing agencies and establishment of new agencies, namely Financial Sector Appellate Tribunal, Resolution Corporation, Public Debt Management Agency and Financial Data Management Centre. (*Source: Government of India, Ministry of Finance, Department of Economic Affairs Press Release dated September 30, 2014.*)

Financial Holding Company ("FHC")

In June 2010, the RBI set up a working group to examine the different holding company structures prevalent internationally in the financial sector and to examine the feasibility of introducing an FHC structure in India. FHCs are companies that own or control one or more banks or NBFCs. Currently, banks in India are organised under a bank-subsidiary model, or "BSM", in which the bank is the parent of all the subsidiaries of the group. In May 2011, the RBI released the working group's recommendations that included, among others, that the FHC model should be pursued as a preferred model for the financial sector in India and that the RBI should be designated as the regulator for FHCs. The recommendations have currently not been implemented. (*Source: RBI Report of the Working Group on Introduction of Financial Holding Company Structure in India and Press Release available at http://www.rbi.org.in as of November 2, 2014*.)

Goods and Service Tax

The goods and service tax ("**GST**") is proposed to be implemented with effect from July 1, 2017 and would replace the indirect taxes on goods and services such as central excise duty, service tax, central sales tax, state VAT and surcharge currently being collected by the central and state governments. The GST is expected to be applied to banking transactions, which will increase the tax incidence and administrative compliance costs for banks.

Demonetisation and Digitization

Through a notification dated November 8, 2016 issued by the Ministry of Finance, the Government of India and the RBI, ₹500 and ₹1,000 denominations of bank notes of the then-existing series ceased to be legal tender. These notes were replaced with a new series of bank notes of ₹500 and ₹2,000 denominations.

The immediate financial impact of withdrawal of Specified Bank Notes ("**SBNs**"), announced on November 8, 2016, was a surge in bank deposits with a commensurate fall in currency in circulation. In terms of macroeconomic impact, there was a dampening effect on inflation with a temporary loss of momentum in the growth of real gross value added ("**GVA**"). The RBI also revised the GVA growth for 2016-17 downwards from 7.6% to 7.1%, partly due to slower activity in general in first half of the year and partly due to demonetization. However, the precise impact of the same on the economy may be difficult to capture at this stage and the disruptions in the cash-intensive sectors of the economy are likely to be transitory. In the interim, policy measures to sterilise the impact of excess liquidity resulted in higher investment in government securities by the banking system. There was also a fall in the RBI's investments in government securities and in the RBI's credit to commercial banks. Notwithstanding the short-term disruptions in certain segments of the economy, withdrawal of SBNs is expected to transform significantly the domestic economy in the long run in terms of greater intermediation and increasing efficiency gains through adoption of digital modes of payments. (*Source: Financial Stability Report – December 2016*.)

Future Outlook and Key Trends

Going forward, banks will need to move towards the mandated higher capital standards, stricter liquidity and leverage ratios and a more cautious approach to risk. This implies that Indian banks will need to improve efficiency even as their costs of doing business increase. They will need to refine their risk management skills for enterprise-wide risk management. In addition, banks need to have in place a fair and differentiated risk pricing of products and services, since capital comes at a cost. This involves costing, a quantitative assessment of revenue streams from each product and service and an efficient transfer-pricing mechanism that would determine capital allocation.

Due to the demonetization and digitization push by the Government, banks will also need to develop their digital banking infrastructure to provide mobile and online services to their customers. These services would not only have to facilitate online payments and transactions, but also the creation of new accounts and the checking of existing accounts.

During fiscal year 2017, NPAs rose sharply across the industry. Banks need to effectively utilise the various measures put in place by the RBI and the Government for the resolution and recovery of bad loans in order to reduce the NPAs on their books. They also have to strengthen their due diligence, credit appraisal and post-sanction loan monitoring systems to minimise and mitigate the problem of increasing NPAs in fiscal year 2018 and beyond.

BUSINESS

Unless stated otherwise, the financial data in this section is taken from the Bank's consolidated financial statements included in this Placement Document and prepared in accordance with Indian GAAP and references herein to the "Bank" or "standalone" are to the Bank on a standalone basis and references herein to "we", "our", "us" and the "Group" are to the Bank on a consolidated basis. The discussion below may contain forward-looking statements and reflects the current views of the Bank with respect to future events and financial performance. Actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors such as those set forth under "Risk Factors" and elsewhere in this Placement Document.

Overview

We are a leading private sector bank in India. We were originally incorporated in 1931 as the "Travancore Federal Bank Limited Nedumpram under the Travancore Companies Regulation. On December 2, 1949, the name was changed to The Federal Bank Limited. In 1959, we were licensed under the Banking Regulation Act, 1949, and thereafter we became a scheduled commercial bank under the Second Schedule of Reserve Bank of India Act, 1934.

We offer a wide range of products and services to retail, small and medium scale enterprises ("**SME**") agricultural and corporate customers through a variety of delivery channels. As of March 31, 2017, we had 1,252 bank branches and 1,667 ATMs. Our consolidated balance sheet size has increased from ₹853,418.93 million as of March 31, 2015 to ₹1,154,857.35 million as of March 31, 2017. Our total consolidated deposits have grown from ₹708,226.87 million as of 31 March 2015 to ₹976,620.76 million as of March 31, 2017. Our total consolidated advances have increased from ₹515,291.87 million as on March 31, 2015 to ₹740,862.30 million as on March 31, 2017.

While we were historically focused largely on the state of Kerala, we have expanded our presence throughout India with 1,252 bank branches across India. Our robust practice across India is complemented by our international presence. We are developing our international presence by building a network outside India to cater to the NRI market, with representative offices in Dubai and Abu Dhabi. We have also obtained approval to open a further representative office in Bahrain and a branch in the Dubai International Financial Centre ("**DIFC**"). We have also recently opened an international banking unit in the Gujarat International Finance Tec-City ("**GIFT City**").

We offer banking products and services in the Retail, SME, Agricultural and Corporate and Wholesale banking sectors. Our retail asset products include home loans, personal loans, auto loans, educational loans, mortgage loans, business loans as well as security-backed loans of various types. Our SME portfolio consists primarily of loans and advances to manufacturing and food processing enterprises, educational institutions, healthcare providers, the services sector, traders and professionals. Our loans to the agricultural sector include loans to individual farmers, group of farmers, agriculture businesses and agriculture corporates. For the corporate and wholesale banking sector, we offer various loan and fee-based products and services to large corporations, medium-sized enterprises and certain specified sectors, including the agriculture sector which includes an assortment of banking products and services including working capital, term finance, trade finance, structured financial services, foreign exchange and syndication services.

We offer a number of liability products to our retail customers, including NRIs, such as saving accounts, time deposits and recurring deposits. These products are offered with certain variations as customized products to certain target groups such as senior citizens, students and salaried employees. We also offer other products and services such as debit and credit cards, online bill payment services and cash management services. We market third-party products, such as mutual funds and general and life insurance policies such as the IDBI-Federal Life insurance policy. A wide range of liability and asset products and services are also offered specifically to NRIs.

We also provide a number of digital offerings including the "Fedbook Selfie" application for digital account opening and the 'Lotza' application, which is a unified payment interface application, to take advantage of the increasing availability of internet access and broadband connectivity across India. Our investment into our digital strategy will see the introduction of more products and the enhancement in the security features of our existing products. We believe that our comprehensive suite of secure digital products will enhance our competitiveness.

Our principal business activities are divided into five segments, namely retail banking, SME banking, agricultural banking, corporate and wholesale banking, treasury and other banking operations, with a balanced portfolio mix across these segments, including non-resident Indians ("**NRI**"). As of March 31, 2017, our retail advances accounted for 30.41% of total gross advances, SME advances accounted for 23.57% of total gross advances, agriculture advances accounted for 10.02% of total gross advances and corporate advances accounted for 36.01% of total gross advances.

Strengths

Our key strengths are as follows:

Pan India network with presence in Abu Dhabi and Dubai to complement a strong NRI franchise

As of March 31, 2017, we had 1,252 bank branches and 1,667 ATMs. These branches are distributed across metro, urban, semi urban and rural locations. 600 bank branches are located in the state of Kerala and the remainder are spread across the rest of India. We have been steadily growing our network across India, having added 227 branches and 347 ATM to our network outside of the state of Kerala between April 1, 2012 and March 31, 2016. We have undertaken focused expansion in key states such as Punjab, Haryana, NCR, Maharashtra, Tamil Nadu and Kerala. This expansion has contributed in growing the total standalone advances from ₹512,849.91 million as on 31 March 2015 to ₹733,362.72 million as on March 31, 2017. The investment made by us in expanding the network provides us access to customers across our target segments and allows us to focus on customers in local geographies.

In addition to this physical infrastructure, we believe we have also developed and launched an extensive digital footprint to enable customer acquisition and retention. Further, we also have a network outside India catering to the NRI market, with representative offices in Dubai and Abu Dhabi and tie-ups with 85 exchange houses to assist our customers in remitting money into India. For nine months ended December 31, 2016, we had a 15.44% market share of all foreign inward remittances made for personal purposes into India. 21 of our officers have been posted to various geographies in the Gulf Cooperation Council ("**GCC**") to serve as single point contacts and relationship managers for our customer base in the GCC. We believe that a relationship manager model is essential in the development of our business where the relationship manager engages with our customers and offers relevant solutions and products to such customers.

We also have a strong NRI franchise, which provides us with a low cost source of funding. Our NRI franchise has contributed to our development in our deposits and current accounts and saving accounts ("**CASA**") ratio. The deposits from NRIs constituted 36.62%, 41.17% and 39.50% of total standalone deposits in the corresponding periods of fiscal 2015, fiscal 2016 and fiscal 2017. The contribution towards the standalone savings accounts from NRIs was 45.40%, 47.60% and 45.27% in fiscal 2015, fiscal 2016 and fiscal 2017 respectively. We attribute the rapid growth in our NRI accounts to our presence in the GCC, where our relationship managers attract new NRI customers to utilise our financial services.

Strong liability profile with a wide spectrum of products

Over the years, we have built a strong base of distributed clientele, which has provided us with a low cost of funding and has been a source of strength for our liability portfolio. The ratio of retail deposits to total standalone deposits in the fiscal years ending March 31, 2015, 2016 and 2017 was 95.3%, 97.9% and 94.1%, respectively. A large part of our deposit base is retail and the lack of bulk deposits provides us with a deposit base with a lower concentration risk, increasing the spread of our liability portfolio. Our total deposits have increased in the last three financial years. Our standalone total deposits in the fiscal years ending March 31, 2015, 2016 and 2017 were ₹708,249.93 million, ₹791,717.07 million and ₹976,645.62 million respectively. Despite not offering higher interest rates for our savings accounts, our CASA ratio increased from 30.43% in fiscal 2015 to 32.47% in fiscal 2016 and 32.60% on fiscal 2017.

We provide a wide spectrum of products to cater to the needs of our customers be it Retail, SME, Agriculture or Corporate. We are able to provide this wide range of products across our branch network. Our diversified product mix is able to cater to retail customers from the urban, semi urban and rural areas. Our strength in serving mid-market clients has contributed to the development of our bank in these locations.

Innovation and Digital focus

We are committed to digital banking and we have upgraded our systems to ensure a smooth integration between our existing infrastructure and our new digital banking products. Our Digital Centre of Excellence is an exclusive division set up to develop digital innovations and technological value-adds. This has resulted in new products such as the mobile passbook (Fedbook), account opening application (Fedbook Selfie), UPI mobile app for payments (Lotza), SMS based transactions and the Be Your Own Master Loans (BYOM – algorithm based, on-line, self-service loans).

We believe "Launchpad" is one of our unique initiatives to support fintech startups. Launchpad offers counselling and guidance on key aspects involved in setting up of a start up like registration, regulatory compliances, investments and accounting, intellectual property protection, trading and taxation.

We continuously strive to increase reliance for transactions on digital channels which are more cost effective than physical channels. In order to enable a smooth transition, we have ensured that our digital banking channels are updated and reliable.

Our suite of digital offerings has won numerous awards in India. These awards include, the Banking Frontier's Finnoviti 2016 Award, the Banking Frontier's Finnoviti 2015 Award, the Skoch Award 2015, IDRBT Award for Digital Banking, Analytics and Big Data amongst mid-sized banks in 2015-16 and other IDRBT Awards relating to technology and digital banking in the years 2010-11, 2011-12, 2012-13, 2014-15 for pioneering steps taken in digital banking.

Well Defined Business Architecture and Robust Credit Management Framework

We continuously revise our business architecture to ensure that it remains current and competitive. We have introduced the relationship manager model where relationship managers work with our customers to understand their needs and offer them the relevant products and services to address such needs. We have also encouraged the specialization of our internal teams to improve their efficiency. We now have specialized teams to handle sourcing and sanctioning, credit administration, recovery, operations, technology, service quality management, and digital products. These initiatives have improved the overall efficiency of the Bank.

We are focused on maintaining a high level of asset quality. Our standalone gross NPAs as a percentage of gross advances stood at 2.04% in fiscal year 2015, 2.84% in fiscal year 2016 and 2.33% as of fiscal year 2017. Our standalone net NPAs as a percentage of net advances stood at 0.73% in fiscal year 2015, 1.64% in fiscal year 2016 and 1.28% as of fiscal year 2017. Our NPA increase in fiscal year 2016 was due to weak economy conditions, which affected the asset quality of India's banking industry in general. The weak oil prices in fiscal year 2016 also affected our NPAs due to our large customer base in the GCC. Being cognizant of these challenges to our asset quality, we have addressed these issues by strengthening our recovery mechanisms and improving our credit management procedures. Our concerted efforts to identify stressed assets at an early stage have resulted in a reduction in our NPAs in fiscal year 2017.

We are also established in the SME, corporate and wholesale banking industries across India. Our strength lies in our diverse portfolio that generates both interest and non-interest income. We provide diversified solutions to meet the financial and banking needs of our corporate customers, including project loans, term loans, short term loans, cash credit, export credit, bill discounting facilities, letters of credit and guarantees. We also engage in cross-selling multiple products to our clients. We believe that our combination of diverse product offerings and a relationship-driven approach has enabled us to structure solutions to meet our customers' commercial needs, resulting in sustained revenue generation for our bank. Our non-interest income has broadly grown in line with the growth in our total net income and accounted for 26.33%, 23.95% and 25.72% of our total net income for the fiscal years 2015, 2016 and 2017, respectively.

Experienced Board of Directors and management team

Our Board of Directors consists of experienced professionals with significant experience in their respective fields. We believe their experience is instrumental in driving our business successfully through periods of global financial crisis and economic downturn, as well as through periods of volatility in markets and interest rates.

We have a committed senior management team driving our strategy and execution. The senior management team is a blend of home grown executives with some having an experience of over three decades. We believe our team has helmed our growth and risk management strategies, through the worldwide economic crisis, an economic slowdown and volatile interest rate environment in India. We believe our team's focus on executing growth strategies while maintaining profitability, setting measurable targets benchmarked to market leaders and monitoring performance against such targets, anticipating customer demand and adding new products and services, investing in technology and building our brand have contributed to an overall improvement in our key metrics since 2010, including net interest margin, cost to income, net NPAs, return on assets and return on equity, as well as our CASA ratio.

In addition to the Board and the senior management, our employees at various levels of the bank come from ethnically and culturally diverse backgrounds across India. The average age of our employees is less than 37 years. We believe the demographic profile of our employees is another factor that contributes significantly to the growth of our business.

Strategy

The key elements of our strategy are:

Strong, sustainable and high quality growth in advances with low risk

We believe that robust credit risk management policies and controls are critical for long-term, sustainable growth in our business. Our goal is to continually improve our credit risk management procedures, credit evaluation, rating methodology, monitoring and control mechanisms to maintain the quality of our loan and investment portfolios. Further, we intend to continuously focus on maintaining the mix of our loans and advances between the customer segments of corporate, SME and retail. We believe that there is an opportunity for us to selectively acquire loan portfolios from other banks and financial institutions in key market segments to grow our total loan and advances portfolio. We also believe that our regional credit underwriting hubs combined with the technological platform that our network has, will enable us to target customers across the key segments to grow our loan and advances, whilst reducing overall risk.

Continue to strengthen our liability profile

Retail deposits in India are an important source of low-cost funding for us and we believe that the Indian retail financial services market will continue to experience growth. We aim to continue to expand our retail banking business by growing our customer base, providing a convenient banking experience to customers and offering differentiated products and solutions to meet the specific needs of particular customer demographics. We believe these initiatives will help us build a strong liabilities profile, which will expand our pool of low-cost funding. In addition, we seek to leverage our position in the NRI segment by looking to expand our service offerings linked to remittances into India. Our NRI deposits also provide us with a natural cushion against high funding costs and therefore we seek to continuously maintain our market position and also increase our number of NRI customers.

Continue to focus on our home market and gain market share in the rest of India

Apart from developing our home market in Kerala, we have also sought to increase our presence in the rest of India. We believe our strategy has allowed us to reap significant rewards in the 25 states, Delhi NCT and in the four union territories which we operate in. We intend to continue developing our market share in India with the following multi-pronged strategy:

- Focus on maintaining the significant advantage we enjoy in the Kerala sub-market and in relationship with NRI customers. We are the one of the largest private sector banks in the state of Kerala in terms of total number of branches, total deposits and NRI deposits as of December 31, 2016 and for nine months ended December 31, 2016, we had a 15.44% market share of all foreign inward remittances made for personal purposes into India. We aim to continue to maintain this leadership position in the Kerala sub-market and also amongst NRI customers.

- We have an established presence in most centres across the country, and we aim to strengthen this presence in key geographies such as Maharashtra, Gujarat, NCR, Tamil Nadu, Punjab and Karnataka in addition to our home state, Kerala. This expansion would be through a slew of measures including opening new branches selectively in the chosen geographies, increasing digital reach, increasing the strength of local-geography employees in respective states and focussing on fresh customer acquisition and retention.

- We will continuously assess the needs of markets and clients and widen the spectrum of products and offerings continuously while ensuring that our products and offerings satisfy such needs in a competitive manner. We believe we will tap into various retail channels such as home sales, tie-ups for allied products, digital offerings, strategic partnerships and alliances to create more value for our various business segments.

Transformation through technology with continuous investments in digital banking

We believe the increased availability of internet access and broadband connectivity across India calls for a comprehensive digital strategy to proactively develop new methods of reaching our customers and running our businesses. As mentioned earlier, we follow a business philosophy of "Digital at the Fore, Human at the Core". Under this guiding philosophy we seek to provide our customers with a user friendly digital experience that will allow us to increase our customer engagement. For example, we have launched the "Fedbook Selfie" application for digital account opening and "Lotza" application which is a unified payment interface application.

We are continuously investing in technology as a means of improving our customers' experience, offering them a range of products tailored to their financial needs and making it easier for them to interact with us. We have launched internet and mobile based applications across most of our product and service portfolios, and we believe we will continue to invest in creating a superior technology infrastructure to support our digital strategy. We believe additional investments in our technology infrastructure to further develop our digital strategy will allow us to cross-sell a wider range of products on our digital platform in response to our customers' needs and thereby expand our relationship with our customers across a range of customer segments. We believe a comprehensive digital strategy will provide benefits in developing long-term customer relationships by allowing customers to interact with us, access and operate their accounts wherever and whenever they desire.

On the operational side, we believe that investments in internal systems and security technology lead to enhanced customer satisfaction, and therefore enhance our competitiveness. We are also continuing to invest in our cyber security network and privacy protection systems, in order to supplement our growth and increase the robustness of our data security framework. We believe these operational initiatives will also provide us with insights into our customers enabling us to cater to their financial needs in a customised manner.

Building the Federal Brand

We believe that our "Federal" brand is well recognized across the country, especially in the state of Kerala. We intend to develop our brand throughout the other states. In order to achieve this objective, we will execute marketing campaigns using a variety of media vehicles including television, print, radio, and digital mediums. We believe that the key to differentiation is innovation. Hence, we intend to have innovative marketing campaigns to distinguish our brand from our competitors.

Overview of Banking Operations

We categorise our business into the following five segments, namely retail banking, SME banking, agricultural banking, corporate and wholesale banking, treasury and other banking operations. We also have a subsidiary, Fedbank Financial Services Limited, which provides various financial services and a joint venture in IDBI Federal Life Insurance to provide life insurance for our customers. We have a strong presence in Kerala and we are developing our business across India. Our geographical diversification has led to strong growth across our business segments.

Our retail lending business provides loan products targeted primarily at individuals (salaried, self-employed professionals and other self-employed individuals) for meeting their personal financial requirements, such as housing, consumption, asset creation, automobile, education, and other personal needs. We offer well differentiated products that cater specifically to this segment of customers. We focus on innovating and designing products that address our customers' needs. Our liability products to retail customers including NRIs contains saving accounts, time deposits and recurring deposits. These products are offered with certain variations as customized products to well-defined target groups such as professionals, entrepreneurs, students and salaried employees. On the asset front, we offer housing loan schemes, auto loans, mortgage loans, rent securitization loans, gold loans and automated personal loans. We also offer other products and services such as debit cards, on-line bill payment services and cash management services. We also market need-based investment and both general and life insurance solutions to our customers through strategic alliances entered with various channel partners.

Our SME banking business provides loans and advances under ₹250 million. We serve our SME clientele with products like working capital financing and receivable financing.

Our loans to the agricultural sector include loans to individual farmers, group of farmers, agricultural businesses and corporates. We extend crop loans to farmers to meet their financial needs for the seasonal agricultural operations and working capital finance for allied activities. The quantum of funding is broadly based on the land holding, the crops the farmer cultivates, the cropping pattern and the area of operations. We also extend term loans for land development, minor irrigation, farm mechanisation, hi-tech farming and allied activities. Our agriculture portfolio consists of loans against warehouse receipts of agricultural commodities and loans for purchasing agricultural land. We have deployed technically qualified relationship managers and development officers in potential agriculture clusters across the country. Apart from ensuring a good yield, our agriculture finance portfolio helps us to meet our priority sector lending obligations, where we are required to lend 40% of our adjusted net bank credit or credit equivalent amount of off balance sheet exposure, whichever is higher, towards priority sectors and 18% of our adjusted net bank credit or credit equivalent amount of off balance sheet exposure, whichever is higher, towards agriculture.

Our corporate and wholesale banking business provides loans and other banking services to corporate and other clients where the value of individual exposure to the customers exceeds ₹250 million. We provide banking solutions to large corporates, mid corporates, large companies and financial institutions. An assortment of banking products and services consisting of working capital, term finance, trade finance, foreign exchange and syndication services are offered to this sector. Recently the business model was restructured by strengthening and institutionalizing relationship banking in this segment.

Our treasury operations include trading and investments in Government and corporate debt instruments, equity, derivative trading and foreign exchange operations on proprietary account and for customers. The treasury department also maintains a retail desk to assist retail customers who wish to open investment accounts for investing in Government securities. Our treasury department manages our funding position and also manages and maintains our regulatory reserve requirements.

Advances

We offer products and services to our wholesale customers, SMEs, agriculture customers and retail customers. The following table sets forth a breakdown of our advances as of March 31, 2017, 2016 and 2015:

	As of March 31,		
	2015	**2016**	**2017**
		(*₹ in millions*)	
Kerala[(1)]			
Wholesale advances	32,333.71	40,447.05	40,967.41
SME advances	71,108.90	80,122.49	83,914.83
Agriculture advances	42,492.19	41,398.93	46,343.58
Retail advances	78,958.91	82,082.94	91,269.50
Gross Advances in Kerala	**224,893.71**	**244,051.41**	**262,495.32**
Rest of India			
Wholesale advances	131,762.13	153,261.48	228,502.60
SME advances	58,069.50	71,598.21	92,496.47
Agriculture advances	20,626.41	24,963.09	28,629.22
Retail advances	86,604.52	97,332.21	136,287.34
Gross Advances in the rest of India	**297,062.56**	**347,154.99**	**485,915.63**
Total Gross Advances	**521,956.27**	**591,206.41**	**748,410.95**
NPA provision	6,664.40	7,008.67	7,548.65
Net Advances	**515,291.87**	**584,197.74**	**740,862.30**

(1) Advances are classified as being in Kerala if the lending branch is located in Kerala. Advances from our head office, being located in Kerala, are therefore classified as in Kerala.

Retail Lending

General

Our retail lending business provides loan products targeted primarily at individuals (salaried, self-employed professionals and other self-employed individuals) for meeting their personal financial requirements, such as housing, consumption, asset creation, automobile, education, and other personal needs. Retail loans are sourced through our branches, dedicated direct retail sales team, digital channels, partnerships and tie ups and through our subsidiary - Fedbank Financial Services Limited.

Our retail loans and advances portfolio have grown significantly over the last two years. We believe this growth of retail and consumer lending can be attributed to the growing affluence and changing consumer behaviour of the people of India. We have identified this sector as one of our core growth areas. Our focused marketing approach, product innovation, risk management systems and competent back-office processes contribute to the strength of our retail lending strategy. The target market identified for retail loans are salaried, self-employed professionals and other self-employed individuals.

Retail Loan Products

We offer a variety of retail credit products, including home loans, mortgage loans, automobile loans, two-wheeler loans, personal loans, education loans, loans against liquid securities, loans against shares and loans against gold ornaments.

Our retail loan product portfolio consists of products that have been tailored to suit different sectors. The total retail loan portfolio as of March 31, 2017 consisted primarily of residential mortgage loans, gold loans, personal loans and automobile loans. Our consolidated advances under the various retail loan products are given below.

The following table sets forth a breakdown of our retail loan portfolio by product type as of the dates indicated:

	As of March 31,					
	2015		2016		2017	
	(₹ *in millions, except percentages*)					
Housing and mortgage loans	89,735.21	54.20%	106,247.50	59.22%	123,630.95	54.33%
Personal loans	367.25	0.22%	477.13	0.27%	1,225.95	0.54%
Retail gold loans	33,647.73	20.32%	23,035.03	12.84%	20,640.01	9.07%
Automobile Finance	4,677.31	2.83%	5,918.85	3.30%	8,235.31	3.62%
Others	32,918.30	19.88%	37,628.48	20.97%	64,203.98	28.21%
Subsidiary loans	4,217.63	2.55%	6,108.15	3.40%	9,620.64	4.23%
Total Advances	**165,563.43**	**100.00%**	**179,415.15**	**100.00%**	**227,556.84**	**100.00%**

Housing and Mortgage Loans

We provide housing loans with a maximum tenor of 30 years for the acquisition, construction and payment of residential properties. The maximum loan-to-value ratio for such housing loans ranges from 75% to 90% as per guidelines from the RBI. Although the return on equity for these loans is lower as compared to some other product segments, the long tenure of these loans helps maintain a stable loan base and increases the opportunities to cross-sell other products and services.

We extend mortgage loans and loans against property for residential and commercial properties. The maximum loan tenor and loan-to-value ratio are determined by the type of collateral security provided, with a maximum tenor of 15 years and loan-to-value ratio of 75%, which are permitted against mortgage of residential properties. These loans carry a higher interest rate when compared to housing loans. Our subsidiary helps to build a robust demand for our housing loans and loans against property through channel engagements and developer tie-ups.

Personal loans

We offer unsecured personal loans at fixed rates to salaried and self-employed professionals for maximum amounts of ₹1.50 million and ₹1.00 million, respectively. We have customised group personal loan offers for employees of approved companies, and pre-approved personal loans as part of continuous engagement of existing customers. Personal loans can be used for a wide variety of end-uses such as medical, marriage, special occasions, travel and small asset purchase.

We obtain standardised credit score from multiple credit bureaus which help us conduct a more comprehensive risk assessment of our customers.

Gold loans

We provide loans against gold ornaments at all of our branches. We engage professional appraisers to determine the purity and value of the gold pledged. The maximum loan-to-value ratio for gold loans ranges from 68-75% of the appraised value within the RBI guidelines. We monitor the value of the gold on a monthly basis to carry out effective portfolio management. We store the gold in tamper proof covers in the vaults at our branches.

.Automobile finance

We offer loans for the purchase of new cars and two wheelers, which can be up to 100% of the vehicle's showroom price. We also offer loans for used cars up to 75% of the depreciated or market value. Our subsidiary helps to build a robust demand for our automobile loans through dealer tie-ups. We also have tie-ups with original equipment manufacturers, through which we provide SME financing for dealers.

Fedbank Financial Services Limited

Our subsidiary, Fedbank Financial Services Limited, is a diversified NBFC that offers multiple retail loan products including loans against property and loans against pledge of gold ornaments.

Corporate Lending and Wholesale Lending

We classify loans and advances of ₹250 million and above to a single borrower as corporate lending. We provide commercial banking products and services to corporate customers, consisting primarily of private and public limited companies. Loans and advances provided to corporate customers include project loans, term loans for the acquisition of assets, as well as short term loans, cash credit, export credit and other working capital financing and bill discounting facilities. We also provide non-fund facilities, such as letters of credit and guarantees. All proposed loans and advances are subject to our internal credit rating procedures, and internal ratings for facilities of ₹50 million and above must be reviewed and approved by our risk management department before the loans are sanctioned.

We also provide corporate customers with treasury services, such as cash management services, foreign exchange products and currency solutions. We offer banking products and services such as rent securitisation.

Our relationship managers play a key role in developing our corporate and wholesale lending business. Our relationship managers are spread across key geographies to source and manage end-to-end relationships with our customers. These relationship managers are supervised by our unit heads at different geographical locations to oversee address the needs of our customers. We ensure that our relationship managers have the required product knowledge and skill profile to service our customers and take care of their banking needs.

Our relationship managers identify new value propositions for our customers by recommending products that are relevant to our clients. The engagement between our relationship managers and our customers creates brand loyalty and helps ensure that our customers' needs are fulfilled. In order to continue developing this sector, we intend to target high rated corporate, mid corporates, public sector undertakings and capital and bond market clients by offering value-based pricing and services.

SME Lending

All loans and advances of less than ₹250 million that are not otherwise classified and categorized as retail and agricultural loans and advances constitute our SME portfolio. Our SME portfolio consist primarily of loans and advances to manufacturing and food processing enterprises, educational institutions, healthcare providers, the services sector, traders and professionals. We seek to provide integrated offerings along the supply chain to create better value for our SME customers. Our large presence in semi-urban and rural centres, with 900 branches out of 1,252 bank branches, as of March 31, 2017, located in such centres, has allowed us to expand our SME portfolio and leverage our distribution network to offer credit solutions for our SME customers. Loans and advances to SMEs are generally secured by collateral and offer higher margins as compared to corporate loans and advances.

SME loans and advances are intended to facilitate the establishment, expansion and modernization of businesses, including acquiring fixed assets, plant and machinery and meeting working capital needs. We target this sector and attempt to increase credit flows with measures such as templated products, periodic campaigns, and a faster disposal of proposals. Our SME financing strategy consists of the following:

- a relationship manager model of business development, which focuses on personalised services;
- financing of SMEs located in and around the area of each branch;
- financing of supply chain and SME linkages of big manufacturing companies; and
- financing SMEs located within a similar product area or geographical cluster.

Agricultural Lending

Our loans to the agricultural sector consist of loans to individual farmers, groups of farmers and corporates. We extend crop loans to farmers to meet their financial needs towards seasonal agricultural operations and also provide working capital loans for their allied activities. The amount of funding available is based on the land holding, the crops the farmer cultivates, cropping pattern and the area of operations.

We extend term loans for land development, minor irrigation, farm mechanisation, plantation sector, hi-tech farming and allied activities. Our agriculture portfolio includes loans against warehouse receipts of agricultural commodities and agricultural land purchase loans. We have deployed relationship managers and development officers across India in potential agricultural clusters.

Apart from providing a good yield, our agriculture finance portfolio helps us to meet our priority sector lending obligations, where we are required to lend 40% of our adjusted net bank credit or credit equivalent amount of off balance sheet exposure, whichever is higher, towards priority sectors and 18% of its adjusted net bank credit or credit equivalent amount of off balance sheet exposure, whichever is higher, towards agriculture.

Working capital and short-term loans and advances

We extend working capital and short-term loans and advances in the following forms:

- *Cash credits and overdrafts:* These are the most common type of credit facilities available to businesses and self-employed borrowers. Loans under these facilities are usually secured by assets, such as inventory, receivables, deposits and other approved securities. Draw downs from these facilities are permitted based on the value of such assets. These facilities are normally granted for periods up to 30 months, subject to an annual review. Renewals and rollovers are permitted based on annual reviews.

- *Pre-shipment finance facilities:* These facilities are granted to exporters for procuring, processing, storing and packing products. These facilities are normally extended for a period of 180-360 days. Drawings from the facilities are allowed based on the value of the products offered as security.

- *Bills finance / Post Shipment facilities:* These facilities cover either bills drawn under letters of credit or documentary bills, cheques and drafts arising from trade transactions. The credit extended is self-liquidating. Bills which are negotiable in India and abroad generally have a tenor of up to 90 days.

As of March 31, 2017, our working capital and short-term advances totalled ₹376,114.76 million, or approximately 50.77% of our net loans and advances.

Term loans

Term loans are usually structured as project finance facilities for infrastructure, industrial and commercial enterprises and are used to finance the acquisition or construction of long-term assets. These facilities are repayable in fixed periodic instalments based on the borrowers' cash flow projections.

As of March 31, 2017, the total amount of our term loans was ₹ 339,139.85 million, or 45.78% of net loans and advances.

Non-fund-based Financing

Documentary letters of credit

We open documentary letters of credits on behalf of its customers to facilitate the procurement of goods and equipment either on a "documents against payment" or on a "documents against acceptance" basis. Documentary letters of credit facilities are generally approved along with other fund-based facilities when a detailed working capital assessment or project evaluation is done.

As of March 31, 2017, our contingent liability under our documentary letter of credit portfolio totalled ₹ 5,782.55 million.

Bank Guarantee

We normally issue two types of guarantees, namely performance guarantees and financial guarantees. Such guarantees are issued for purposes such as bid bonds, performance of contractual obligations, fulfilment of financial obligations and the procurement of goods and services, amongst others.

Generally the letters of guarantee are issued for periods of less than 36 months. In addition to a charge on the assets of the borrower, such as receivables and cash flows, other current assets and fixed assets, we also require borrowers to provide additional collateral by way of a cash margin or other securities.

As of March 31, 2017, our contingent liability under letters of guarantee totalled ₹47,954.50 million.

Pricing Policy

The MCLR is a tenor-linked benchmark and we arrive at the MCLR of a particular maturity by adding or subtracting the corresponding tenor premium, discount to the sum of marginal cost of funds, negative carry on account of ("**CRR**") and operating costs. Our one year MCLR as on March 31, 2017 was 8.95% per annum. The final card rates for loans and advances are arrived at by adding the credit risk premium and business strategy component over the MCLR. We use a risk adjusted return on capital framework for risk based pricing of loans and advances. We price our credit products based on its assessment of internal credit rating, tenor of the loan, availability of collateral security and market conditions.

Credit Selection Strategy

Our criteria for the acceptability of a borrower include:

- for corporate borrowers, satisfactory quality of management measured in terms of past track record, reputation, competence, integrity, profitability and sustainability of the borrower's business model and its projected cash flows;
- an acceptable internal credit rating;
- significant probability of credit rating enhancement in the medium term;
- scope of the industry in which the borrower is involved and our internal prudential norms for sectoral exposures;
- compliance with internal and regulatory requirements on single borrower and group exposure;
- maturity profile for the proposed facility;
- acceptable security and credit enhancement measures; and
- pricing.

For more information, see "*Risk Management — Credit Risk* '.

Other Products and Services

Fee-based services

We offer a variety of fee-based services, including cash management services, remittance services for NRIs and collection services. Certain of our fee-generating activities are described below.

Cash management services

We offer cash management services in the form of bill and cheque collection and remittance services for corporate and institutional clients. Electronic payment facilities are offered to such corporate and institutional customers for payments to vendors or suppliers. Our customers are able to access such services at over 450 locations throughout India.

The volume of cash management services processed by us for year ended March 31, 2015, 2016 and 2017, totalled ₹ 13,060.96 million, ₹13,685.96 million and ₹4,204.68 million, respectively. Profit generated from cash management services for each of fiscal years 2015, 2016 and 2017 totalled ₹33.96 million, ₹45.42 million and ₹ 43.92 million, respectively.

Depositary participant services

We act as a depositary participant with the National Securities Depository Limited, for which we earn commissions from account holders. As of March 31, 2017, we have 16,506 depository accounts and 6,524 Fed-e-Trade accounts, and revenues from our depository business for each of fiscal years 2015, 2016 and 2017 totalled ₹10.72 million, ₹10.92 million and ₹13.53 million, respectively.

Services for non-resident Indians

We offer a wide range of banking services to the NRI community. As of March 31, 2017, we had an NRI customer base of 1.05 million.

- Portfolio Investment Schemes. We offer NRI customers a portfolio investment service through which NRIs are allowed to open investment accounts at designated branches and the amounts deposited in these accounts are used by such NRIs to invest in Indian equities, where we execute the investment instructions of such NRIs on a non-discretionary basis.
- Remittance Services. We have established Nostro relationships with 20 banks and Vostro relationship with 85 banks and exchange houses across the world, which allows us to provide remittance facilities to NRIs. We offer 77 Rupee-drawing arrangements from member states of the Gulf Cooperation Council, two each from Canada, and the United Kingdom and the United States, one from Singapore and from Malaysia. We have also partnered with third-party remittance service providers to enable remittance from other geographies, and are in the process of expanding its remittance businesses into new

geographies. For the nine months ended December 31, 2016, we had a 15.44% market share of all foreign inward remittances made for personal purposes into India.

Cards

We offer international debit cards to our customers in association with Visa, MasterCard and RuPay. These debit cards provide customers with 24-hour access to their funds through our ATMs as well as any Visa, MasterCard and RuPay-enabled ATMs and merchant establishments across the world.

We have an arrangement to issue co-branded Federal Bank-SBI credit cards without the Bank assuming any credit risk in relation to charges on these cards. Federal Bank-SBI credit cards are available in "Platinum" or "Gold 'N More" for our customers, and we earn commission for their sale and usage.

We also offer FeDelight, a pre-paid card, and Cash Passport, a travel card issued in partnership with MasterCard.

Third-party Products

Mutual Fund Products

We have agreements with 14 asset management companies to distribute their mutual fund products through our branch distribution network. We receive either upfront commissions or annual commissions from the asset management companies for the sale of their products. These asset management companies include HDFC Mutual Funds and Franklin Templeton Mutual Funds.

Insurance Products

We have entered into agreements with IDBI Federal Life Insurance Company Limited for life Insurance business and Cholamandalam MS General Insurance Co. Ltd for general insurance and Max Bupa Health Insurance Co. Ltd for health insurance to distribute their respective insurance products. We receive a fee for each insurance product sold, and have no underwriting exposure from such insurance products.

Compliance with RBI Lending Requirements

Lending to Priority Sectors

The Master Direction - Reserve Bank of India (Priority Sector Lending – Targets and Classification) Directions, 2016 dated July 7, 2016 sets out the broad policy in relation to priority sector lending (“**PSL**”). In accordance with this circular, the priority sectors for all scheduled banks include (i) agriculture; (ii) micro, small and medium enterprises (“**MSMEs**”); (iii) export credit; (iv) education; (v) housing; (vi) social infrastructure; (vii) renewable energy and (viii) others. Under the master direction, the priority sector lending targets are linked to adjusted net bank credit as defined (“**ANBC**”) or credit equivalent amount of off-balance sheet exposure ("**CEOBE**"), whichever is higher, as on the corresponding date of the preceding year. Currently, the total priority sector lending target for domestic banks is 40% of ANBC or credit equivalent amount of off-balance sheet exposure, whichever is higher. It also prescribed sub-targets for agriculture, micro-enterprises and weaker sections.

In the case of non-achievement of priority sector lending targets, including sub-targets, we are required to invest in the Rural Infrastructure Development Fund ("**RIDF**") established with NABARD and other funds with NHB/SIDBI/ MUDRA Ltd. as decided by the Reserve Bank from time to time. The amount to be deposited, interest rates on such deposits and periods of deposits, and other terms, are determined by the RBI from time to time. We report priority sector loans to the RBI on a quarterly basis.

For further details on our priority sector lending, see "*Selected Statistical Information – Standalone Information*".

Agricultural Finance

Pursuant to the RBI guidelines, at least 18% of the net bank credit is required to be provided to the agriculture sector. In fiscal years 2017, 2016 and 2015, our ratio of agricultural credit to our net bank credit stood at 20.49%, 19.41% and 16.59 %, respectively.

We provide a variety of financing for agricultural investments such as working capital and term loans for agricultural and allied activities, including farm mechanization, irrigation and transport vehicles. These are typically secured by the assets being purchased and/or a mortgage of or charge on agricultural land, immovable property or warehouse receipts. We also extend short-term crop loans with a security interest being created in our favour over the crops to be harvested.

Deposits

Our retail deposit products include the following:

- *Term deposits*. We accept term deposits (also known as fixed deposits or time deposits) giving a fixed return, for periods ranging from 7 days to 10 years. Such deposits can be withdrawn before maturity in accordance with applicable rates by paying penalties. Term deposits include recurring deposits, which enable the customer to make deposits over a fixed term at regular intervals. We also offer overdraft facility against the term deposits to our customers. Term deposits provide us with a cost efficient and stable funding source, and remain a key focus area for us.

- *Savings accounts*. We offer savings accounts, which are interest bearing on-demand deposit accounts designed primarily for individuals and trusts. We currently offer 4.00% on savings deposits.

- *Current Accounts*. We also offer current accounts which are non-interest-bearing accounts, designed primarily for businesses. Customers have a choice of regular and premium product offerings with different minimum average quarterly account balance requirements.

For further information on our deposits, please refer to "*Management Discussion and Analysis – Deposits*".

For a description of the RBI's regulations applicable to deposits in India and required deposit insurance, see sections titled "*Supervision and Regulation — Regulations Relating to Deposits" and "Supervision and Regulation — Deposit Insurance*".

We take deposits from individuals, business enterprises, trusts, clubs and associations, large public sector corporations, government organizations, other banks and private sector companies. We take Rupee or foreign currency denominated deposits and offers fixed interest rates.

In addition to our conventional deposit products, we offer a variety of special value-added products and services thereby increasing product offerings and providing greater convenience for customers, such as higher rate deposit accounts for senior citizens. We offer Fed Flexi Smart Saver deposit for NRIs, which gives the convenience of variable monthly recurring deposit instalments and special NR deposits with higher return by way of forward-booking of underlying foreign currency, known as Federal Rupee Plus. We also offer Millionaire Federal Savings Fund, a recurring deposit scheme which lets the customer choose a certain tenure and instalment amount that will produce returns that will make a customer a "millionaire" upon successful remittances of instalments.

Deposits for Non-Resident Indians

In addition to providing remittance and portfolio investment services to NRIs, we allow them to open various types of deposit account. As of March 31, 2015, 2016 and 2017, our total NRI deposit portfolio was ₹259,355.22 million, ₹325,970.90 million and ₹385,779.31 million, respectively. Our market share of remittances has also grown significantly from 10.25% in fiscal 2015 to 12.95% in fiscal 2016 and 15.44 % in fiscal year 2017 through December 31, 2016.

We offer the following deposit programs to NRIs:

- *Foreign Currency Non-Resident Deposits.* We offer foreign currency deposits in ten currencies, including the U.S. dollar, the Pound Sterling, the Euro and the Japanese yen. The principal as well as the interest on these deposits are fully repatriable outside of India and interest and principal are repaid in the currency of deposit. The terms of these deposits range from a minimum of one year to a maximum of five years.

- *Non-Resident External Fixed Deposits.* These deposits are established in Rupees and are maintained for periods from a minimum of one year to a maximum of ten years. The principal and interest from these accounts are fully repatriable outside of India. Interest rates on these deposits are fixed by ALCO, subject to a maximum of rates offered to comparable domestic rupee term deposits. Loans can be granted against these deposits for up to 90% of the deposit amount.

- *Non-Resident Ordinary Deposits.* These products are offered primarily to NRIs who also derive income from India. These products are offered as savings bank deposits as well as fixed deposits. The interest rates and terms are structured along the same lines as domestic deposits. While the principal is not repatriable, except in certain cases, the interest paid is repatriable, net of payment of Indian taxes.

- *Non-Resident External Savings Accounts.* Non-Resident External Savings Accounts are maintained in Rupees. We presently offer 4.00% interest on such savings accounts. The balances in these accounts are fully repatriable outside of India. We also offer zero interest bearing current account for NRI customers.

Delivery Channels

We distribute our products and services through various access points ranging from traditional bank branches to ATMs to the Internet. Investment in alternate distribution channels is part of our effort to migrate customers to lower-cost electronic delivery channels. Our channel migration effort is aimed at reducing cost while enhancing customer satisfaction levels by providing customers access to their accounts at all times.

The table below sets forth the growth of our branch and ATM networks since the end of fiscal 2015

	As of 31 March		
	2015	**2016**	**2017**
Branches - Bank	1,247	1,252	1,252
Branches – Subsidiary	113	101	100
ATMs	1,485	1,516	1,667

These branches serve to develop our relationship channels and sales channels to serve our customers' needs. We have also developed allied products and strategic alliances to provide innovative co-branded products for our customers.

Branch Network

The Bank's branches are strategically and geographically segmented into two networks. The Zonal Offices reports to the networks heads, have full-fledged administrative offices, and oversee the branches in their respective zones. The branches report to the Zonal Offices through their regional heads. As of March 31, 2017, we had a network of 1,252 bank branches and 9 Zonal Offices. Amongst the branches, 600 branches are located in Kerala and 652 are located in the other Indian states. We also maintain 12 extension counters, each of which acts as a service outlet linked to a branch and offering banking services at locations such as educational institutions, information technology parks, airports and hospitals. We continuously assess market conditions and the profitability of its branches and extension counters to rationalise its network by merging branches and opening new branches which meet our customers' current needs.

We have our IFSC Banking Unit ("**IBU**") in GIFT City, Gandhinagar, Gujarat. The IFSC in GIFT City is conceptualized and designed with other global financial centres, such as in Hong Kong, Dubai and Singapore, in mind. An IBU is equivalent to an overseas branch for all practical purposes. It facilitates as a base to provide international banking services in the country. We have also obtained approval to open a branch in the Dubai International Financial Centre ("**DIFC**").

The branch network extends across India, and the following table sets forth a geographical breakdown of the branch network as of March 31, 2017:

State/ Union Territory	Number of branches	Percentage of branches
East India		
West Bengal	31	2.29%
Orissa	25	1.85%
Bihar	8	0.59%
Jharkhand	8	0.59%
Assam	12	0.89%
Meghalaya	2	0.15%
Tripura	1	0.07%
Mizoram	1	0.07%
Nagaland	2	0.15%
North India		
Delhi	27	2.00%
Punjab	30	2.22%
Uttar Pradesh	23	1.70%
Rajasthan	8	0.59%
Haryana	22	1.63%
Madhya Pradesh	11	0.81%
Chhattisgarh	3	0.22%
Uttarakhand	1	0.07%
Jammu & Kashmir	1	0.07%

State/ Union Territory	Number of branches	Percentage of branches
Chandigarh	3	0.22%
South India		
Karnataka	101	7.47%
Andhra Pradesh	22	1.63%
Telangana	16	1.18%
Tamil Nadu	137	10.13%
Kerala	600	44.38%
Puducherry	2	0.15%
West India		
Maharashtra	102	7.54%
Gujarat	45	3.33%
Goa	6	0.44%
Dadra & Nagar Haveli	1	0.07%
Daman & Diu	1	0.07%
Total Bank Branches	1,252	92.60%
Fedbank Financial Services Limited	100	7.40%
Total Bank and Subsidiary Branches	**1,352**	**100.00%**

We are continually modernizing our branch network with technology in order to increase efficiency and increase profits per employee. We believe that improving productivity by implementing new technology and upgrading branches is an area where we can continue to improve.

As a part of the branch authorisation policy guidelines issued by the RBI, at least 25% of our branches opened in a financial year must be located in unbanked rural centres. An unbanked rural centre is a rural centre in the Tier 5 and Tier 6 cities that does not have a core banking solution enabled "banking outlet" of a scheduled commercial bank, small finance bank, payment bank or a regional rural bank nor a branch of a local area bank, or licensed cooperative bank for carrying out customer based banking transactions. As on March 31, 2017, we have 109 branches in such localities.

The table below sets forth a breakdown of our branches by metro, urban, semi-urban, rural areas and overseas as of 31 March 2015, 2016 and 2017:

	As of 31 March		
	2015	**2016**	**2017**
	Branches	Branches	Branches
Metro	204	200	199
Urban	213	215	216
Semi-urban	681	684	684
Rural	149	153	153
Total(1)	1247	1252	1252

(1) In addition, our subsidiary had 113, 101 and 100 branches as of March 31, 2015, 2016 and 2017, respectively. We do not classify them into the above subcategories.

Fedbank Financial Services Limited branches

Our subsidiary, Fedbank Financial Services Limited, has a total of 100 branches across India. Our subsidiary has 40 branches in Tamil Nadu, 17 branches in Andhra Pradesh, 27 branches in Karnataka, 15 branches in Telangana and 1 branch in Delhi.

Representative office

We carry out our overseas operations pertaining to NRIs mainly through our Abu Dhabi representative office, which opened in 2008, and the team of officers attached to it stationed in various member states of the GCC. In fiscal year 2017, we opened our second representative office in Dubai. Through the relationship managers in our representative offices, we provide remittance services to our customers located in the GCC. We work closely with the exchange houses and banks in the GCC to provide such services to our customers.

We have received the RBI approval to open a representative office in Bahrain.

Federal Experience Center

We established the Federal Experience Center ("**FEC**") in November 2014. The FEC was established to provide digital banking and leisure amenities in Cochin International Airport for our high net worth customers.

ATMs

As of March 31, 2017 we have installed 1,667 ATMs at various locations in India. As of March 31, 2017, we had issued 8,713,623 ATM cards, of which 7,624,611 have been activated and 2,765,560 are actively used. We evaluate whether ATM cards are active ATM cards twice every financial year, each evaluation is six-months apart. We consider ATM cards as active ATM cards if such cards are used at least once during the six-months before the evaluation date. During the six-months ended 31 March 2017, our ATM network handled an average of over 197,642 transactions per day.

We have an ATM co-branding arrangement at selected locations with two ATM operators. Branding of such sites is done jointly between our partners and us and our customers can access these select ATMs without any charges.

Cash deposit machines

Cash deposit machines ("**CDMs**") facilitates cash deposits for our savings and current account holders. CDMs enable our customers to deposit cash into their accounts even after our business hours. CDMs have inbuilt systems to identify fake notes and to sort cash deposited by customers into different denominations. CDMs can also provide other facilities, like balance inquiries and mini statement inquiries, if the operation is carried out through an ATM or debit card. All of our CDMs are installed in our ATM sites. Our CDMs are widely accepted among our customers and it plays a major role in reducing the counter rush at our branches. As of March 31, 2017, we have 180 CDMs.

Internet Banking and Other Technology-Enabled Services

We believe that access to account information and the ability to undertake banking transactions through the Internet are key to satisfying the needs of certain customer segments and we offer Internet banking services to our customers through our website, www.federalbank.co.in. The provision of internet banking has been a cost-effective tool in increasing our market share in the retail sector. Services offered to Internet banking customers include online access to account information, placement of requests for demand drafts and cheque books, a secure mail box facility for communicating with us, payments of utility bills, transfer of funds to another account or to a third party account belonging to us. As of March 31, 2017, 1,034,903 of our accounts had been registered to allow the use of Internet banking facilities.

We have revamped the user interface for our internet banking facilities. The new user interface allows our customers to access our internet banking facilities across all devices. Our internet banking facilities provides the following services: funds transfer, IMPS, mobile and DTH recharge, term deposits, recurring deposit opening, loans against term deposit, tax payment and utility bill payments amongst others.

In addition to the foregoing, we have also implemented the following:

- *Integrated Electronic Bills Presentment and Payment (EBPP) System.* We have a facility called "Fed e-Pay" through which our EBPP System is integrated with our various delivery channels. Fed e-Pay allows our customers who are also BSNL customers to pay their BSNL bills from such customers' accounts via a telephone call from anywhere and at anytime.

- *Missed Call Banking.* Customers can give our dedicated calling number to get an instant balance enquiry of their bank accounts. They can also call a number and automatically recharge the balance on their mobile phone accounts or mobile phone accounts of another person registered to their account.

- *Instant Account Opening*. We have introduced an instant account opening process by integrating and leveraging the advantages of e-KYC and pre-opened kits. A pre-opened kit can be activated instantly after e-KYC authentication using Aadhaar. Activating the pre-opened kit will enable customers to use their debit cards to activate other digital channels like FedMobile, Lotza, FedNet and FedBook.

- *Be Your Own Master ("**BYOM**").* Our BYOM service allows our customers to avail a preapproved retail personal loan online and accepting the terms and conditions in the web portal. The customer's operative account is immediately credited with the loan amount. This facility neither requires a customer to visit a branch nor does require any paper work.

- *SoftPin*. In order to enhance the security features of our debit cards, we have launched the Softpin initiative to facilitate our customers should they wish to change their debit card PIN numbers. Our customer have to send a SMS to us with the last four numbers of their debit card and we will reply with a one-time password ("**OTP**") which our customers can use to set their ATM pin in any ATM machine.

- *E POS.* We have introduced an electronic point of sale service to help merchants collect payments from their customers by sending a SMS to their customers. The customers can access the link in the SMS, and make payment to the merchant with their debit or credit cards.

Digital Banking

Our digital banking services seek to provide a simplified banking experience to our retail, SME and corporate customers. We have partnered with various financial technology companies and start up studios to introduce new digital banking products for our clients. Our digital banking products reflect our digital banking theme of "Digital at the fore, human at the core."

We have four mobile based applications, FedMobile, FedCorp, FedBook Selfie and the Lotza UPI app to cater to the various requirements of our business segments. These applications compliment our branch and ATM network and enable us to win customers by allowing customers to undertake their banking transactions with convenience. These applications are available across multiple mobile operating systems.

FedMobile

FedMobile is our mobile banking application for our retail customers. We launched this application in June 2010. FedMobile allows our customers to do funds transfer, pay bills, schedule payments, open deposits, apply for loans, plan for their travel, apply for insurances and provide customer feedback. A FedMobile account can be registered online and secured with two factor authentication.

FedCorp

FedCorp is our mobile banking application enabled for corporate and SME customers where our customers can manage their daily banking transactions from their mobile devices in a secure and convenient environment. FedCorp provides an easy registration process; funds transfer services, balance enquiry and mini statement generation, multi user approval and payees management.

FedBook Selfie

FedBook Selfie enables customers to open a savings bank account from anywhere using their mobile device.

FedBook Selfie enables customers to customers undertake banking transactions business through the application. The application works as a digital passbook for the customer and reflects information relating to the customers bank account on a real time basis. The application is enabled to undertake real time know your customer checks to ensure compliance and reduce account opening turnaround time.

FedBook Selfie permits customers to open accounts using two modes:

1. Our customer can open an account with their Aadhaar OTP based e-KYC. Such accounts can start transacting within the RBI prescribed limits, the account holder would have to undergo a full KYC at any of our branches within a year of creating such an account.

2. Alternatively, our customers can open an account by providing a photo and scanning the Aadhaar Card Quick Response code where the account will be opened instantly and customer can initiate a first transaction up to ₹10,000. In order to activate the account, the account holder would have to perform a full KYC immediately.

We have introduced various security features to identify existing customers and prevent the same individual from opening a second account.

Lotza

We have two applications under Lotza to cater to the different needs between retail customers and merchants. The Lotza-UPI application for retail customers enables payments to any bank account in India by providing a virtual address. The Lotza-M application enables merchants to accept payments by scanning a QR code. We also provide a point of sale device which is capable of generating receipts for their customers. The Lotza applications allow our customers to inquire about their balance and conduct fund transfers, our customer's mobile number will also be verified and registered with their Lotza accounts.

Treasury

Our treasury group is responsible for balancing and managing the daily cash flow and liquidity of funds within the Bank, ensuring regulatory compliance such as the CRR, SLR, proprietary investment and trading activities on Government securities, corporate bonds, other fixed income products, foreign exchange products and derivatives. Treasury also extends client services related to investments and trading of securities and foreign exchange.

Our treasury group follows as three tier structure comprising of Front Office, Mid Office and Back Office.

The Front Office consists of the following desks:

1. The SLR desk, responsible for ensuring SLR compliance, which also handles investments and trading activities in Government securities, state development loans and treasury bills;

2. The Constituent Subsidiary General Ledger desk, which provides the investment and trading services on Government Securities, state development loans and treasury bills to clients;

3. The Money Market desk, responsible for ensuring CRR compliance, managing the daily cash flow and liquidity of funds within the bank, managing market borrowing and lending operations;

4. The Non-SLR desk, responsible for investments and trading in certificate of deposits, corporate bonds, short term paper, commercial paper and equities, and making long term strategic investments;

5. The forex merchant desk, provides real time rates to bank branches for transactions in foreign exchange between the branches and clients, provide daily "card rates", i.e. foreign exchange rates for small value forex transactions, and books forward exchange contracts based on requests from clients or branches;

6. The derivatives desk, which engages in arbitrage trading in interest rate and currency derivatives;

7. The forex cell, which formulates internal guidelines for trade finance, liaises with branches and other Bank departments for trade-finance related matters and submits regulatory reports to RBI and other regulators; and

8. The analytics desk, which assists dealers with research on market developments and insights, analyses the performance and valuation of the Bank's investment portfolio, and helps to monitor risk;

The Mid Office of treasury forms part of the Integrated Risk Management Department and directly reports to the Chief Risk Officer of the Bank. Mid Office/Market Risk Division is responsible for the design and implementation of Bank's market risk management system. It produces, and analyses daily reports on the output of the Bank's risk measurement model, including an evaluation of the relationship between measures of risk exposures and trading limit.

The Back Office of Treasury, which reports to the head of the Operations Department, is responsible for acceptance, settlement and reconciliation of Investment deals, accounting, reporting of CRR and SLR to the regulators, and valuation of Investments as per regulatory guidelines.

Operations

The centralization of operational activity is an ongoing process in the bank which is carried out by the operations team, thus facilitating the branches for customer engagement activities predominantly.

We also centralize various operational activities to streamline the work in our branches. Some of the key activities which we have centralised include: the creation and modification of our customer's identity credentials, the opening of CASA and loan accounts, trade finance instruments, the registration of channel facilities, the supervision and management of our payment channels, the processing and settlement of domestic and international payments and receipts and administrative and back office functions.

Operational Controls and Procedures in Branches

Our branches currently handle an average of 316 transactions (including ATM transactions) daily. An operational framework has been established to ensure that these transactions are handled with precision, regularity and efficiency in a risk-mitigating manner. Operational instruction manuals at the branches detail procedures for processing various banking transactions. Amendments to these manuals are implemented through circulars sent to all branches.

We place importance on computer security and have adopted an information security policy. Most of our information technology assets, including critical servers, are subject to appropriate physical and logical access controls. The powers to authorise transactions are exercised by officials in accordance with a scheme of delegation of powers and the monetary limits are incorporated as authorisation levels in the software, which validates each payment.

Our transaction monitoring and fraud prevention department maintains an efficient system for constant surveillance and monitoring to prevent losses due to frauds, malpractices and lapses. The department monitors transactions based on the alerts generated by our real time intelligent monitoring system. Predefined scenarios which can lead to frauds are plugged into these tools and when a transaction meets the predefined conditions, an alert is generated for that transaction. Serious anomalies are reported to respective departments for detailed enquiry and actions.

Operational Controls and Procedures for Internet Banking

Two factor authentications in the form of an OTP via SMS or the mobile application or the hardware token is in place as an added security to internet banking transactions. A cooling period has also been provided when a new beneficiary is added for fund transfer to mitigate fraud risk.

Anti-Money Laundering Controls

Pursuant to the Prevention of Money Laundering Act of 2002 ("**PMLA**"), we have implemented a policy on "know your clients" standards and anti-money laundering and combating financing of terrorism controls. These policies has been approved by the Board of Directors and is being followed by each of our branches. These policies, which consists of customer identification procedures and customer acceptance policies, forms the basis of our anti-money laundering controls. Transactions are monitored centrally and alerts are generated based on scenarios configured in accordance with the regulatory guidelines. Our branches also monitor suspicious activities based on 27 alert indicators. A senior official designated as the Principal Officer under the PMLA oversees the anti-money laundering activities and ensures compliance with our internal policies.

Recovery of Non Performing Assets

We have devised a strategic policy for the recovery of NPAs by identifying such risky assets at an early stage with the daily recognition of NPAs. The various measures recommended for recovery include one-time settlements, out-of-court settlements, filing of suits before the Debt Recovery Tribunals and courts, actions under the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act 2002 and Lok Adalats, which is a system for out-of-court settlements of impaired loans through mutual consent in accordance with the Legal Services Act 1987.

Additionally, NPA accounts of ₹1.00 million and above are reviewed periodically by our senior management or the Board of Directors and appropriate measures are taken for their early recovery or upgrading. Non-performing loans which are not capable of upgrading or recovery are also considered for write-off on a case by case basis, although recovery efforts continue to be undertaken on accounts that have been written off.

We have assembled special teams to monitoring our high value NPAs and technically written-off ("**TWO**") accounts with a specific focus on the resolution of such NPAs and to recover the sums in the TWO accounts. We also have a team for the slippage prevention and recovery of retail portfolios through the collection and recovery agents. The above measures are coupled with our resolution strategies to prevent the migration of assets to a lower asset class.

We believe that the healthy level of recoveries from NPAs and in unrealized interest were primarily due to the collateral that has been provided to secure the impaired loans, which encourages borrowers to repay loans and interest rather than forfeit their property.

Competition

We face strong competition in all of its principal lines of business. Our primary competitors are public sector banks, other private sector banks, co-operative banks, foreign banks, funds transfer agencies and in some product areas, non-banking financial companies, small finance banks, regional rural banks and payment banks.

Retail Banking

In retail banking, our principal competitors are the large public sector banks, small finance banks, as well as existing and new private sector banks and foreign banks in the case of retail loan products. Public sector banks, such as the State Bank of India, also have large deposit bases and large branch networks. Small finance banks provide niche services to small businesses and individuals and compete with us in the agricultural loans sector. Private sector and foreign banks compete principally in limited geographical areas by adopting different marketing strategies. Foreign banks, while having a small market penetration overall, have a significant presence among non-resident Indians and also compete for non-branch based products such as auto loans and credit cards.

In particular, we face significant competition primarily from private sector banks and from other public sector banks, in the housing, auto and personal loan segments. In mutual fund sales and other investment related products, our principal competitors are brokers, foreign banks and new private sector banks.

For more information on our digital banking products, please refer to "*Business – Digital Banking*".

Corporate and Wholesale Banking

Our corporate banking products and services face competition from a number of public sector banks, private sector banks and financial institutions. This competition has, over time, built extensive branch networks, providing them with the advantage of a low cost deposit base, and enables them to lend at competitive rates. In addition, the extensive geographic reach of many of these institutions enables product delivery in remote parts of the country. We seek to compete with these banks through the competitive pricing of loans, advance and services, faster response to customer requirements, quality of service, a fast growing inter-connected branch network, and technology-enabled delivery capabilities.

Other private sector banks also compete in the corporate banking market on the basis of pricing, efficiency, service delivery and technology.

We also face competition from foreign banks, with foreign banks traditionally having been active in providing trade finance, fee-based services and other short-term financing products to top-tier Indian corporations. We have established strong ties in trade finance, strong fee-based cash management services and competes with foreign banks using its broader branch network in the country, innovative products and competitive pricing.

Treasury

In its treasury advisory services for corporate clients, we compete principally with foreign banks in foreign exchange and derivatives, as well as public sector and private sector banks in the foreign exchange and money markets business.

See "*Risk Factors - Our business is highly competitive, which creates significant pricing pressures for us to retain existing customers and solicit new business, and our strategy depends on our ability to compete effectively*"

Subsidiary and Associates

As on 31 March 2017, we have one unlisted fully-owned subsidiary, named Fedbank Financial Services Limited, and one associate, named IDBI Federal Life Insurance Company Limited ("**IDBI Federal Life**"). Fedbank Financial Services Limited is a diversified NBFC offering multiple loan products such as loan against property and loan against pledge of gold ornaments. It also distributes our loan products. We have engaged an investment banker/merchant banker to explore outside investment opportunities in Fedbank Financial Services Limited. If such opportunity materializes, it would dilute our stake, though we would continue to hold the majority stake. We would use the incoming funds from such investment to fund for the growth of Fedbank Financial Services Limited.

IDBI Federal Life is an associate company, in which we hold a 26% stake, with Ageas Insurance International N.V. also holding a 26% stake and IDBI Bank Limited holding the remaining 48% stake. IDBI Federal Life is a life insurance company that distributes its products through a multi-channel network consisting of insurance agents, bancassurance partners (IDBI Bank, Federal Bank), direct channels and insurance Brokers.

Employees

We have built up a team of professionals comprising experts in risk management, credit analysis, treasury, relationship management, retail products, marketing and information technology as well as general banking professionals. As of March 31, 2017, the Bank had 11,593 employees, compared to 11,735 at March 31, 2016 and 10,981 at March 31, 2015. Of these, 4,039 as on March 31, 2017 were professionally qualified in management, accountancy, economics, banking, engineering, information technology or law. As of March 31, 2017, the Bank employed 1,162 at our head office, 376 people at our Zonal Offices, 315 people at our credit hubs and 9,740 people at our branches. As of March 31, 2017, our Subsidiary had 579 employees.

Employees are eligible for benefits from the Provident Fund, which is a defined contribution plan. We also provides for gratuity (the "**Gratuity Plan**") and Pension (the "**Pension Plan**"), each of which are defined benefit retirement plans. The Gratuity Plan provides a lump sum payment to vested employees or their nominees on retirement, death, incapacitation or termination of employment, of an amount based on the respective employees' salary and the tenure of employment. The pension plan provides a monthly pension after retirement of the employees till death and to the family after the death of the pensioner. We also contribute specified amounts to the gratuity fund and the superannuation fund. The liabilities are determined by actuarial valuation. As of March 31, 2017, our Bank's liability for retirement benefits (including pension, gratuity and leave encashment benefits) totalled ₹11,888.94 million. Our employees who joined us on or after April 1, 2010 are governed by the Defined Contributory Pension Scheme ("**DCPS**") in line with the New Pension Scheme. As of March 31, 2017, 5,437 employees are covered under the Pension Plan and 6,098 employees under the DCPS.

Although a majority of our officers and employees are members of recognized union or officers' association, we consider relations with our employees to be good. Collective bargaining negotiations to set salary and benefit standards for bank employees take place at the industry level through the Indian Banks' Association, which is an independent body. We have not experienced a serious work stoppage or other form of labour action. See ''*Risk Factors — Risk Relating to the Business of the Bank — The Bank's employees are represented by employee unions and officers' associations and any employee unrest could adversely affect* *its operations and profitability*".

Properties

As of March 31, 2017, we had a network consisting of 1,252 bank branches, nine Zonal Offices and 1,667 ATMs spread over 25 states, Delhi NCT and four union territories, throughout India, and our Subsidiary had a network of 100 branches. Our branches and our offices operate on leased premises as well as on owned premises. 52 branches/offices, including the head office, are functioning from the Bank's owned premises and the remaining 1,210 branches/offices are functioning from leased premises. The net book value of all the properties owned us as of March 31, 2017, including our corporate headquarters, our staff training college, 5 Zonal Offices, 47 branches, 226 residential flats, 7 guest houses and 2 holiday homes, was ₹1,572.16 million.

As of date of this Placement Document, and to the best of the knowledge of our management, there are no environmental issues that may materially affect our utilization of our properties.

Legal Proceedings

We are involved in a number of legal proceedings in the ordinary course of our business. In addition, certain government entities, including the RBI, make inquiries and conduct examinations or investigations from time to time concerning our compliance with certain laws and regulations. However, other than as described in the section titled "*Legal Proceedings*" (read along with the explanations and assumptions), we are not currently a party to any proceedings and no proceedings are known by us to be contemplated by government authorities or third parties, which, we believe, if adversely determined, would have a material adverse effect on our business, prospects, financial condition or results of operations.

Intellectual Property

We are the registered proprietor of the trademark "Federal Bank". We are also the owner of copyright in the artistic work in the "Federal Bank – Your Perfect Banking Partner" logo, which has been duly registered with the Registrar of Copyrights.

We utilise a number of different forms of intellectual property in our business including our Federal Bank brand and the names of the various products we provide to our customers. We believe that we currently own, have licensed or otherwise possess the rights to use, all intellectual property and other proprietary rights, including all trademarks, domain names, copyrights, patents and trade secrets used in our business.

Awards

We have won the following awards:

1. Best use of Digital & Channels technology amongst small banks in IBA Banking Technology Conference, Expo & Awards (2017)

2. Banking Frontiers Inspiring Work Place Award for Best HR & Talent Practice (2016)

3. Banking Frontier's Finnoviti Award (2015)

4. IDRBT Award for Digital Banking, Analytics and Big Data in mid-sized Banks Segment (2015)

5. Skoch Smart Technology Award (2015)

6. Asia Training & Development Excellence Awards (2014)

7. IBA Awards for Innovation in Banking in the category of Most Innovative Customer Service Proposition (2013)

Risk Management

Overview

There is risk in every facet of banking, and risk taking is inevitable for generation of returns. Our risk management philosophy is to take risk by choice rather than by chance. Our major risks are credit risk, market risk (including liquidity risk) and operational risk (includes information security and cyber security related risk). We have comprehensive policies and procedures in place to identify, assess, monitor and manage these risks systematically across all its portfolios.

We have a robust risk appetite framework, which aligns with the business strategies set by the Board. The risk management framework is subjected to review and upgrade on an ongoing basis, in tune with regulatory guidelines and best practices in the industry. We have established an independent risk governance structure designed to help ensure the independence of the risk measurement, monitoring and control functions.

Our Board of Directors oversees and approves the risk policies, risk appetite and strategies to establish an integrated risk management framework and control system. The Risk Management Committee ("**RMC**") of the Board devises a policy and strategy for integrated risk management of the material risks the Bank is exposed to, in the course of its business. The RMC coordinates with various executive level risk management committees such as the Credit Risk Management Committee, the Asset Liability Management Committee ("**ALCO**") and, the Operational Risk Management Committee to ensure effective risk management in the Bank. The Bank's Managing Director and CEO, assisted by the executive level committees, has the role of striking the appropriate balance between business development and risk profile, in line with the strategies and risk appetite as approved by the Board and RMC. Our Chief Risk Officer is responsible for ensuring effective risk management and reports directly to Managing Director and CEO.

In order to manage risk, our business units and risk management units work together to ensure that business strategies and activities are consistent with approved policies and defined risk appetite. Our risk management framework is established along the three lines of defence model. The business units form the first line of defence and are responsible for ensuring that activities comply with applicable rules and effectiveness of risk management in daily operation. The second line of defence comprises of risk management units functioning independent of the business activities and responsible for developing and implementing frameworks to identify, measure, monitor, control and report risks. The third line of defence is the audit function, which provides an independent assurance and assessment of effectiveness of the first and second line of defence to the Board and executive management.

The Integrated Risk Management Department monitors the adequacy and effectiveness of the risk management practices and internal controls through tools such as risk assessments, monitoring of risk limits and risk indicators and review of exceptions, and reports on these aspects to the executive level risk management committees. The Integrated Risk Management Department reports to the Chief Risk Officer.

Risk appetite

The risk appetite is a top-down process consisting of specific quantitative and qualitative factors and provides an enforceable risk statement on the amount of risk we are willing to accept in pursuit of its financial and strategic objectives. Our risk appetite is framed by the Board of Directors considering the business strategies and market conditions and the risk levels with which we are comfortable for carrying on its business. Our risk appetite acts as an enabler to pursue our business goals and at the same time, control the level of risk taking. Breaches, if any, in the risk appetite limits acts as warning signals for the functionaries to take note of the situations at hand and initiate corrective actions duly notifying the Board regarding the same.

Execution and monitoring of the business strategy in line with the defined risk appetite holds the key for achieving our objectives. The risk appetite is provided to different business segments in terms of policy limits, budgets and targets. The risk appetite limits are monitored periodically and status reported to the RMC on a quarterly basis.

Credit risk

Credit Risk arises when a borrower or counterparty fails to meet its obligations in accordance with the agreed terms. Even though loans are the most evident source of credit risk, other sources exist throughout our other activities, including in the banking book, the trading book, and in on-and off-balance sheet items.

A credit risk management framework is established through various Board approved policies and procedures for identifying, measuring, monitoring and controlling credit risk. The policies and procedures cover all stages of the credit cycle such as the pre-sanction stage (including origination, credit ratings and risk assessment and risk mitigation), the sanction stage (including approval and documentation) and the post-sanction stage (including administration, monitoring and recovery).

Credit risk mitigation is a proactive management tool designed to protect an entity's earnings from loss. We employ various methods and techniques to reduce the impact of the credit risks to which it is exposed in its daily operations. There are Board approved policies that set out the criteria and conditions for eligibility of collaterals both for internal sanctioning as well as regulatory capital purposes. Our valuation policy outlines our credit risk mitigation and collateral management framework sets principles and standards relating to recognition, valuation and treatment of collateral.

Pre-sanction stage

Branches and relationship managers conduct preliminary scrutiny and due diligence of loan proposals based on our policy guidelines. The proposals are then forwarded to the respective sanctioning authority for further processing. We have adopted the committee approach for sanctioning loans in regional credit hubs and other corporate office committees. All loans are processed at either regional credit hubs or our corporate office underwriting teams, other than certain retail and SME loans that can be sanctioned under branch delegation. We have put in place a comprehensive policy for delegating authority, which states the guidelines for exercising delegation and the powers conferred on various authorities for sanctioning loans. The power to sanction loans has been delegated to various authorities based on various factors such as hierarchical position of the delegate, total indebtedness of the borrower, tenure of loan and riskiness of the exposure.

Our approach to credit risk encompasses both funded and non-funded exposures. Before a credit facility is sanctioned to any borrower, a comprehensive assessment of the risk profile of the borrower and transaction characteristics is done, based on broad categories of risk namely, financial risk, business risk, industry risk and management risk. We use the nine risk assessment models in the case of SME and corporate customers, and twelve retail score cards, in the case of retail customers and small value business loans. The rating models for corporate and SME borrowers are developed on two dimensional rating methodology including obligor risk rating and facility risk rating. Obligor risk rating indicates the probability of default, and facility rating reflects the securities and/or guarantees provided by the borrower that will act as credit risk mitigants. A combination of obligor risk rating and facility risk rating provides the final rating of a borrower, which indicates the expected loss in case of default. Retail score cards are scoring models that identify and assess the risk in retail, enabling us to accept or reject the proposal.

Sanction stage

All loan proposals are sanctioned by the designated authorities or committees in accordance with the powers vested in them. Preparation of all relevant agreements and documents is centralized, and agreements and documents are executed at the respective branches. Our procedures include verification of a legal scrutiny report, loan documentation and other relevant documentation by specialized officers for loans above a threshold limit. The credit administration units and credit hubs ensure that the loans are disbursed only after complying with the terms of sanction, as stipulated by sanctioning authority. We have specified hurdle rates for internal rating, below which the loans are generally not sanctioned. Any overrides in internal ratings can be done only as per the Board approved policy in this regard. The internal rating for loans above ₹50 million needs to be confirmed by risk department, prior to sanction.

Post-sanction stage

We have established an independent credit monitoring department to facilitate efficient and effective credit management, review changes in credit worthiness and initiate remedial measures in case of any deterioration in credit quality. All lending relationships are subjected to regular reviews at least on an annual basis to assess performance of portfolios in accordance with the terms of original sanction, to review our exposure to each borrower and to refresh risk rating data. Renewals and review frequencies are adopted for borrowers commensurate with their level of risk.

Dedicated cells are set up (both at corporate office level and zonal level) for capturing the warning signals from various financial and non-financial parameters to identify signs of credit weakness at an early stage. The team regularly monitors the conduct of the loan accounts and follows up with the branches for rectification of any deficiencies noted. In cases where the status of the loans deteriorates further, the loan collection and recovery team takes over the monitoring.

We have also implemented a framework for managing the unhedged foreign currency exposures of the borrowers. The policy articulates the methodologies for ascertaining the amount of unhedged foreign currency exposures, estimating the riskiness of the unhedged position and the extent of likely loss, making appropriate provisions and capital charge as required by the RBI and elucidating the subsequent disclosures to be made in our balance sheet.

In order to minimize concentration risk in exposures from multi-dimensional sources and to curtail default loss by high risk grade borrowers, we have laid down a Board approved exposure policy, which is reviewed annually. The objective of the exposure policy is to contain risk in our credit and investment exposures and manage the exposures adhering to limits prescribed by law and regulations. We have adopted a three-pronged approach for analyzing credit concentration – identification, monitoring and responding. Exposure limits are determined based on our capital fund, net worth and total gross advance. Exposures are monitored against these Board approved limits and quarterly exposure ceiling monitoring reports are placed before the Board.

Market risk

Market Risk is the risk of losses in on and off-balance-sheet positions arising from adverse movements in market factors like interest rates, foreign exchange rates, equity prices and credit spreads. Our market risk management framework comprises of Board approved policies like the market risk management policy and investment, foreign exchange and derivatives policy, and established practices like mutually independent functioning of front office, mid office and back office, independent monitoring of limits and treasury deals, independent valuation of instruments and positions and regular stress testing of different portfolios.

Our investment portfolio is exposed to interest rate risk on account of investments in instruments like government securities, treasury bills, certificate of deposits, commercial paper and corporate bonds and debentures. We also engage in derivative transactions for hedging and proprietary trading purposes. We classify our investment portfolio into held to maturity, available for sale and held for trading. Interest rate risk in investment portfolio and derivatives is managed by establishing and monitoring portfolio wise limits.

We manage equity price risk relating to changes in prices of securities (both equities and instruments exhibiting features of equity) that may adversely affect our financial position. We undertake exposure in equities, as part of its trading activity within limits stipulated by regulators and internal policies. Our investment policy provides for limits on equity exposure, as well as limits on investments in individual securities within the overall limit. The securities are marked-to-market daily and the risk management department monitors the stop-loss limits. The value at risk of the equity portfolio is also monitored on a daily basis.

Our trading room undertakes foreign exchange transactions on behalf of its customers as well as for its proprietary trading book. These activities include trade related transactions of corporate clients, placing and accepting deposits and borrowing and lending in foreign currencies. We use currency swaps, forward contracts and futures for hedging as well as for trading purposes. We also plan to venture into options trading in the near future. The exchange rate risk arising out of the above transactions is managed by establishing and monitoring various limits like net overnight open position limit, value at risk ("**VaR**") limit, aggregate gap limit and stop loss limit. The exposure to counterparties, including those arising from exchange transactions, is monitored through counterparty limit on a daily basis.

Currently, market risk capital is computed under the standardized duration approach. We also use VaR as a tool for monitoring risk in our trading portfolio. The VaR and stressed VaR for different market portfolios are monitored on a daily basis. The ALCO oversees the market risks in the trading book and the banking book.

Liquidity risk

Liquidity refers to our ability to meet our funding requirements for repayment of liabilities and utilizing investment and lending opportunities in a timely manner at an optimum cost. Analysis of liquidity risk involves the measurement of not only our liquidity position on an ongoing basis but also examining how funding requirements are likely to evolve under various scenarios, including adverse environments.

The Board approved asset liability management policy lays out a framework for management of our liquidity risk. Our liquidity position is monitored on an ongoing basis both under stock and flow approaches. Structural liquidity position which analyses our future cash flows based on liabilities and assets classified into appropriate time buckets as per their maturity profile and behavioural pattern is drawn on a daily basis. Dynamic liquidity position for a projected horizon of 90 days is assessed on a monthly basis. Prudential limits and Basel III stock ratios are monitored on a periodic basis. The liquidity coverage ratio ("**LCR**") is computed on a daily basis and the risk appetite for liquidity risk is set based on LCR. The net stable funding ratio ("**NSFR**") is computed on quarterly basis and reported to RBI. We also conduct stress testing and scenario analysis for assessing liquidity risk. The outputs of the stress tests are used for developing contingency funding plans. Tolerance levels approved by the Board are set for structural liquidity, LCR and other stock ratios and adherence to the tolerance levels is monitored and reported to ALCO.

Interest rate risk

The measures for management of interest rate risk in our investment portfolio are separately mentioned under section on market risk in this document. In addition to this, we measure the interest rate risk in its entire rate sensitive assets, liabilities and off balance sheet positions as well as on the banking book on a monthly basis and report to ALCO.

Our net interest income or net interest margin is dependent on the movement of interest rates and mismatches in the cashflows or repricing dates. The immediate impact of changes in interest rates is on net interest income. A long-term impact of changing interest rates is on our net worth, as the economic value of our assets, liabilities and off-balance sheet positions get affected due to variation in market interest rates. Interest rate risk management is achieved by capturing the risks arising from the maturity and repricing mismatches and it is measured both from the earnings perspective in terms of earnings at risk and the economic value perspective in terms of modified duration of equity. We have a set risk appetite and tolerance limits for earnings at risk and modified duration of equity, and monitors the same on a monthly basis. The impact of different types of interest rate shocks are assessed by conducting appropriate stress tests. Interest rate reset for floating rate loans is effectively utilized for managing our interest rate risk profile.

Operational risk

Our operational risk management focuses on proactive measures in order to ensure business continuity, a competent and well-informed staff and its adherence to established rules and procedures as well as on security arrangements to protect our physical and IT infrastructure. Operational risk is primarily managed by prescribing adequate controls and mitigation measures, which are being reviewed and updated on a regular basis, to suit the changes in business practices, structure and risk profile.

For the purpose of managing operational risk, our activities have been divided into a set of core business processes and sub-processes with designated process owners. The process owners are responsible for identifying, reporting and responding to risks inherent in the processes. Regular risk and control self assessment is conducted for each core process. New products and processes or any modifications to existing products and processes are vetted to identify and understand the nature and degree of the risks which we would be exposed to and checks and controls are implemented to mitigate the risks. We have also put in place a fraud prevention framework, whereby various transactions are monitored by dedicated teams from the angle of fraud risk and anti money laundering.

We have put in place comprehensive bank-wide business continuity management plans and procedures to ensure continuity of our critical operations in the event of any disaster or incident affecting business continuity. Our business continuity program is developed considering the criticality of the functions performed and the systems used. Periodic drills and tests are conducted to evaluate the effectiveness of the business continuity arrangements.

Information security and cyber security risk

We have committed significant resources to protect the security of its systems, software, networks and other technology assets through security programs, with the goal of maintaining overall cyber resilience that scans, detects and responds to threats such as data breaches, malware, unauthorized access and denial-of-service attacks. We have established robust information and cyber security frameworks for securing our IT infrastructure and systems. We constantly monitor the environment including cyber threats, emerging regulatory requirements around cyber risks and mitigation strategies.

The Information Security Team formulates and periodically reviews our information and cyber security policies and practices. Promotion of information and cyber security awareness among the staff and customers is undertaken on a regular basis through various modes. The Chief Information Security Officer is responsible for articulating and enforcing the policies that we use to protect its information assets and directly reports to Chief Risk Officer.

Reputation risk

Reputation risk can be defined as the risk arising from negative perception on the part of customers, counterparties, shareholders, investors, debt-holders, market analysts, other relevant parties or regulators that can adversely affect a bank’s ability to maintain existing, or establish new, business relationships and continued access to sources of funding. We manage the reputation risk events on a proactive basis with the intention of avoiding such events. We have formed response teams whose task is to control the effect of risk due to occurrence of reputation event. We manage reputation risk through our governance and control processes. Reputation risk management policy lays down the framework to ensure that the reputation risk is managed effectively and consistently across our business.

Internal Capital Adequacy Assessment Process ("ICAAP")

Our ability to take risk is dependent on its risk-bearing capacity. A key factor determining the risk-bearing capacity is stable earnings allowing the build-up of a strong capital base to absorb potential losses. We strive to ensure that it is sufficiently capitalised to carry out its mission even under macroeconomic downturns. Capital is managed in accordance with regulatory requirements and business plan approved by the Board.

ICAAP covers all material risks involved in our business operations and our plans to maintain adequate level of capital commensurate with our overall risk profile. ICAAP covers our procedures and measures designed to ensure:

- appropriate identification and measurement / monitoring of risks material to its business operations; and
- maintenance of appropriate level of internal capital in relation to its risk profile on an ongoing basis.

Capital planning under ICAAP takes into account the demand for capital from businesses for their growth plans and ensures that we are adequately capitalised for the period ahead and holds sufficient buffers to withstand stress conditions. The ICAAP is thus a forward-looking assessment of capital requirements given the business strategy, risk profile, risk assessment, risk appetite and capital plan.

As on March 31, 2017, we have maintained Common Equity Tier I ratio well above the Basel III capital requirements. This includes the Capital Conservation Buffer requirement of 1.25% as per the Basel III norms as on the date.

STRESS TESTING:

Stress testing refers to various techniques (quantitative and/or qualitative) used by us to gauge its vulnerability to exceptional but plausible events. Stress testing is a risk management technique used to evaluate the potential effects on our financial condition of a specific event and/ or movement in a set of financial variables. We undertake stress testing at intervals prescribed as per the Board of Directors' approved policy, which varies based on the type of risk. We conduct monthly tests on (i) forex risks; (ii) interest rate risks; (iii) equity price risks; (iv) derivative risks and (v) liquidity risks. We also conduct the following on a quarterly basis (i) credit risks testing; (ii) pension obligation risks testing; (iii) reverse stress testing; and (iv) scenario analysis. Our operational risks are tested annually.

Stress testing is based on our Board approved stress testing policy, which also sets out the frequency of the testing based on the type of risk. We stress the relevant parameters at three levels of increasing adversity – baseline, medium and severe – with reference to the normal situation and estimate the financial resources needed by it under each of the circumstances to:

- meet the risk as it arises and for mitigating the impact of manifestation of that risk;
- Meet the liabilities as and when they fall due; and

- meet the minimum Tier I Capital Ratio.

We carry out reverse stress testing for key risk areas to test the stress levels at which capital falls below the internal capital threshold. We use stress tests for:

- assessing its risk profile and communicating the same to the Board / senior management;
- allocating capital for various risks;
- managing the risk exposures; and
- putting in place appropriate contingency plans for meeting the situations that may arise under adverse circumstances

Basel III Requirements

Our approach to capital adequacy is driven by strategic and organisational requirements while taking into account the regulatory and macro-economic environment. Capital management practices are built on an assessment of all identified risks and consider the risk reward balance. This involves the on-going review of the level of capitalization against key objectives and to maintain a strong capital base to support the risks inherent in various businesses. Our approach to capital management ensures that businesses are adequately capitalized in excess of minimum regulatory Capital Ratios to meet their short- and long-term business plans, while holding adequate capital buffers during normal business conditions and to absorb the impact of stress events.

Under the Basel III capital regulations, in addition to the minimum regulatory capital, banks are required to hold a capital conservation buffer that can be drawn down in times of stress. There are restrictions on dividend distribution, if the buffer is not maintained. The capital conservation buffer is phased-in at 0.625% p.a., effective March 31, 2016 and will be fully implemented by March 31, 2019.

We use the standardized approach for credit risk, and the basic indicator approach for operational risk and the standardized duration approach in respect of market risk for the computation of capital charge under the Basel III guidelines.

We are gearing up with data build up and system requirements for migrating to advanced approaches. Our capital adequacy ratio as of 31 March 2017 under the Basel III norms stands at 12.39%. Our common equity capital level of 11.81% as of 31 March 2017 offers a good cushion for further expansion and growth in asset portfolio and compliance with the requirements of Basel III norms. Further, our capital adequacy ratio on a consolidated level stands at 12.64% as of 31 March 2017.

Inspection and Audit

We continue to use inspection and auditing as an effective tool of control and compliance. Our audit is conducted by Certified Information Systems Auditor ("**CISA**") officers and chartered accountants with CISA qualifications or Diplomas in Information System Audit ("**DISA**"). Our entire critical information system is subjected to audit by the information systems professionals from external audit firms. Our critical information system is subjected to vulnerability assessment penetration testing ("**VAPT**").

Our audit policy, information systems audit policy and audit manual are subject to annual reviews and appropriate modifications and updates are made in compliance with the observations from the RBI in the Risk Based Supervision ("**RBS**"), Basel III norms, other regulatory guidelines and the directions of the Audit Committee of the Board ("**ACB**") and the Board of Directors.

The review of our policies has been duly approved by the ACB and the Board of Directors. The irregularity list was also refined with the objective of simplifying and rationalizing the audit process. We have scaled up our audit processes to improve our audit effectiveness. We prioritize our audit process as a fundamental tool of control and compliance. All of our entities including our wholly owned subsidiary and outsourced activities fell within the ambit of our audit.

Our internal audit function is focused on achieving our vision and mission through the optimized use of our governance, risk and compliance policies. We have also leveraged on the risk based internal audit ("**RBIA**") as a tool to assess and control our risks which we encounter in our operations and in our transition to align our policies with the Basel III principles. We have calibrated our risk rating architecture by rationalizing the parameters and scores assigned to each risk parameter.

Off-site Audit

We conduct off-site audits with a long term perspective as a forward looking diagnostic tool. We have introduced a system of auditing our branches through our document management system. We conduct off-site audits based on triggers we receive in order to assess the extent of non-compliance or irregularities in our operations. We generate reports at periodic intervals for our critical operations and analyse such reports for any areas which require corrective action. The entire revenue audit in our bank is undertaken through off-site audit.

Concurrent Audit

We are increasingly relying on concurrent audit as an early warning system to ensure the real-time detection of irregularities and lapses. Our concurrent audit is also used as a tool to prevent fraud in the bank. Our concurrent audit focuses on substantive checking in key areas and in large value transactions rather than sample checking.

Management Audit

Our management audit focuses on identifying the adequacy and effectiveness of processes adopted for decision making in the non-business offices.

Information Systems Audit

We conduct audits on our information systems to protect our customers' confidentiality and prevent cyber attacks. Our audit is conducted by Certified Information Systems Auditor ("**CISA**") officers and chartered accountants with CISA qualifications and Diplomas in Information System Audit ("**DISA**"). Our entire critical information system is subjected to audit by the information systems professionals from external audit firms. Our critical information system is subjected to vulnerability assessment penetration testing ("**VAPT**") every quarter.

Compliance

Our compliance department stays abreast of changing regulatory requirements, expectations and industry practices. The department ensures regulatory compliance across the bank. Our compliance policy ensures the independence of the compliance department. The policy helps to ensure the effective monitoring and co-ordination of the compliance functions. Our policy is reviewed periodically and suitable changes are made to align our policies with the guidelines issued by the regulators from time to time. Our compliance manual, which contains the compliance functions of our units, serves as guidance material for our branches. We have various procedures and mechanisms online to monitor our compliance functions.

We nominate compliance monitoring officers in all units to monitor the compliance functions and to develop a robust compliance culture in their units. In order to develop a strong compliance culture within our bank, we provide employee education on compliance through circulars, frequent contact sessions and online quizzes.

REGULATIONS AND POLICIES

The following description is a summary of some of the relevant regulations and policies as prescribed by the central, state and regulatory bodies in India that are applicable to our Bank and its Subsidiary. The following description is not meant to be exhaustive, and is only intended to provide general information to the investors on some of the key regulations and policies applicable to us.

The primary legislation governing banking companies in India is the Banking Regulation Act. The provisions of the Banking Regulation Act are, in addition to and not, save as expressly provided under the Banking Regulation Act, in derogation of the Companies Act, 2013, Companies Act, 1956 and any other law currently in force. Other laws governing banking companies include the Reserve Bank of India Act, 1934, the Negotiable Instruments Act, 1881, the SARFAESI Act, the Recovery of Debts Due to Banks and Financial Institutions Act, 1993, Foreign Exchange Management Act, 1999 and the Bankers' Books Evidence Act, 1891 read with the rules framed under the relavant statutes. Additionally, the RBI issues various guidelines, circulars, directions, and policies relating to our businesses. Our Bank and its Subsidiary are regulated by various regulators, including but not limited, to SEBI and the RBI.

I. Law, rules and regulations governing our Bank

Some of the key rules and regulations governing our Bank's functioning are enumerated below:

A. RBI Regulations

Commercial banks in India are required to obtain a license from the RBI to carry on banking business in India. Such license is granted to the bank subject to compliance with certain conditions, as specified in Section 22 of the Banking Regulation Act. The RBI may cancel the license if the bank fails to meet the qualifications or if the bank ceases to carry on banking operations in India.

The Banking Regulation Act confers power on the RBI (in consultation with the Central Government) to supersede the Board of Directors of a banking company for a period not exceeding a total of 12 months, in public interest or for preventing the affairs of the bank from being conducted in a manner detrimental to the interest of the depositors or for securing the proper management of any banking company.

Our Bank has obtained a banking license from the RBI and is regulated and supervised by the RBI. The RBI has issued directions/ guidelines to commercial banks in relation to functioning, covering various aspects such as loans and advances, investments, risk management, recognition of income, classification of assets, valuation of investments, maintenance of capital adequacy and provisioning for non-performing and restructured assets, periodical submission of reports etc. The RBI requires us to furnish statements, information and certain details relating to our business and operations.

When a bank fails to or omits to comply with the provisions of the Banking Regulation Act and directions issued thereunder or willfully makes a statement which is false in any material particularly, knowing it to be false or willfully omits to make a material statement, the RBI may impose fine within prescribed limits on banks and its officers or punish with imprisonment for the term provided in the law, on the basis of the nature of the violation.

The appointment of the auditors of the banks is subject to the approval of the RBI. The RBI can direct a special audit in the interest of the depositors or in the public interest.

B. Regulations Relating to the Opening of Branches

Section 23 of the Banking Regulation Act requires banks to obtain prior permission of the RBI to open new branches, in or outside India. The RBI issues instructions and guidelines to banks on branch authorization from time to time, including guidelines allowing banking companies to open new branches, banking outlets, closure, shifting of branches/ extension counters/ ATMs etc. With effect from September 19, 2013, domestic scheduled commercial banks may open branches in Tier 1 to Tier 6 centres without prior permission from RBI, subject to the conditions laid down by RBI. Further, such banks may also shift, merge or close all branches except rural branches and sole semi-urban branches without prior permission from RBI, subject to the conditions laid down by RBI. Rural branches and sole semi-urban branches can also be closed subject to certain conditions.

In terms of the Revised Branch Authorisation Policy released by the RBI dated May 18, 2017, the RBI has further stipulated that the banks are required to open at least 25 percent of the total number of branches opened during a financial year in unbanked rural (Tier 5 and Tier 6) centres.

Further, RBI has permitted installation of off-site ATMs at centres identified by banks, without the need for permission from the RBI.

Further, Banks are required to periodically report details of the branches opened/closed/shifted to RBI.

C. Capital Adequacy Requirements

The RBI has issued guidelines for implementation of the Prudential Guidelines on Capital Adequacy and Market Discipline - New Capital Adequacy Framework ("**NCAF**"), to ensure that the capital held by a bank is commensurate with the bank's overall risk profile. The NCAF prescribes the minimum Capital to Risk – weighted Assets Ratio ("**CRAR**") to be maintained by banks.

The Basel Committee on Banking Supervision, with a view to improve the banking sectors' ability to absorb shocks arising from financial and economic stress, implemented Basel III framework. Further, the Basel III capital regulations in India were made applicable to banks from April 1, 2013 and are required to be fully implemented by March 31, 2019 in a phase-wise manner.

D. Liquidity coverage ratio

The Basel III framework on 'Liquidity Standard' includes 'Liquidity Coverage Ratio', 'Net Stable Funding Ratio' and liquidity risk monitoring tools. With effect from January 1, 2015, the RBI introduced a requirement for commercial banks in India to maintain certain levels of Liquidity Coverage Ratio ("**LCR**"). The LCR measures a bank's ability to manage and survive for 30 days under a significant stress scenario that combines idiosyncratic as well as market-wide shock situations that would result in accelerated withdrawal of deposits from retail as well as wholesale depositors, partial loss of secured funding, increase in collateral requirements and unscheduled drawdown of unused credit lines. At least 60% of the net cash outflows in the next 30 days, computed with these assumptions of a stressed scenario, are required to be supported by High Quality Liquid Assets ("**HQLA**"). Banks are required to maintain HQLA of 80% with effect from January 1, 2017, which will increase to 90% with effect from January 1, 2018, and to 100% with effect from January 1, 2019.

The Basel Committee on Banking Supervision issued the final rules on 'Net Stable Funding Ratio' in October 2014. RBI has issued draft guidelines on NSFR on May 28, 2015. RBI proposes to make NSFR applicable to banks in India from January 1, 2018.

E. Loan Loss Provisions and Non-Performing Assets

The RBI has issued guidelines on income recognition, asset classification, provisioning standards and the valuation of investments, which are revised from time to time. In terms of the guidelines issued by RBI, banks are required to classify an asset into non-performing when it ceases to generate income for the bank. Once the account has been classified as a non-performing asset, the unrealized interest and other income already debited to the account is derecognized and further interest is not recognized or credited to the income account unless collected in cash. The Prudential Norms require banks to classify NPAs into the following three categories viz. (i) sub-standard assets;(ii) doubtful assets; and (iii) loss assets based on the period for which the asset has remained non-performing. These norms also specify provisioning requirements specific to the classification of the assets.

The RBI revised "Prudential Guidelines on Restructuring of Advances by Banks and Financial Institutions" on May 30, 2013. Pursuant to these guidelines, from April 1, 2015, advances (classified as a standard asset) that are restructured (other than due to extension in date of commencement of commercial operation ("**DCCO**") of infrastructure and non infrastructure project) would be immediately classified as sub-standard on restructuring and the non-performing assets, upon restructuring, would continue to have the same asset classification as prior to restructuring and slip into further lower asset classification categories as per the extant asset classification norms with reference to the pre-restructuring repayment schedule. The general provision required on restructured standard accounts stands increased to 5% from March 31, 2016.

The RBI has issued guidelines on April 18, 2017 advising all scheduled commercial banks to make additional provisions in respect of advances to stressed sectors of the economy. The banks are required to put in place a Board–approved policy for making provisions for standard assets at rates higher than the regulatory minimum, based on evaluation of risk and stress in various sectors. This evaluation needs to be on a quarterly basis.

The RBI has issued guidelines on September 1, 2016 to restrict scheduled commercial banks' investment in Security Receipts ("**SRs**") backed by their own stressed assets. With effect from April 1, 2017, where the investment in a bank in SRs backed by stressed assets sold by it, under an asset securitisation is more than 50 per cent of the SRs backed by its sold assets and issued under that securitisation, provisioning requirement on SRs will be higher of the provisioning rate required in terms of net asset value declared by the SCs/ RCs and provisioning rate as applicable to the underlying loans, assuming that the loans notionally continued in the books of the bank. With effect from April 1, 2018, this threshold of 50 per cent will be reduced to 10 per cent.

F. Corporate Debt Restructuring Mechanism

The corporate debt restructuring mechanism ("**CDR**") provides for an institutional mechanism to restructure corporate debt. The objective of this framework is to ensure a timely and transparent mechanism for the restructuring of corporate debts of viable entities, particularly entities that are affected by certain internal and external factors and aims to minimize the losses to creditors and other stakeholders through an orderly and co-ordinated restructuring program.

G. Scheme for Sustainable Structuring of Stressed Assets ("Scheme for Stressed Assets")

The RBI has formulated the Scheme for Stressed Assets as an optional framework for the resolution of large stressed accounts. The Scheme for Stressed Assets envisages determination of the sustainable debt level for a stressed borrower, and bifurcation of the outstanding debt based on maturity profile and the level of debt which can be serviced.

Pursuant to the Banking Regulation (Amendment) Ordinance, 2017 promulgated on May 4, 2017, the Central Government has been granted the power to authorise the RBI to issue directions to one or more banking companies to initiate insolvency resolution process in respect of a "default" under the Insolvency and Bankruptcy Code, 2016. The RBI has also been granted powers to issue directions to banks for resolution of stressed assets.

H. Directed Lending

The Reserve Bank of India (Priority Sector Lending – Targets and Classification) Directions, 2016 dated July 7, 2016 sets out the broad policy in relation to priority sector lending ("**PSL**"). In accordance with this circular, the priority sectors for all scheduled banks include (i) agriculture; (ii) micro, small and medium enterprises ("**MSMEs**"); (iii) export credit; (iv) education; (v) housing; (vi) social infrastructure; (vii) renewable energy and (viii) others. Further, it also prescribes the details of eligible activities under the aforesaid categories. Under the aforementioned master direction, the priority sector lending targets are linked to adjusted net bank credit as defined ("**ANBC**") or credit equivalent amount of off-balance sheet exposure, whichever is higher, as on the corresponding date of the preceding year. Currently, the total priority sector lending target for domestic banks is 40% of ANBC or credit equivalent amount of off-balance sheet exposure, whichever is higher. It also prescribed sub-targets for small and marginal farmers, micro-enterprises and weaker sections.

I. Exposure Norms

As a prudent measure aimed at better risk management and avoidance of concentration of credit risk, the RBI has prescribed credit exposure limits for banks and long-term lending institutions in respect of their lending to individual borrowers and to all borrowers belonging to a single group. The RBI has prescribed exposure ceiling for a single borrower as 15.00% of capital funds and group exposure limit as 40% of capital funds comprising of Tier I and Tier II capital. Relaxations are permitted in exceptional circumstances and lending to infrastructure sector. The total exposure to a single NBFC, NBFC-AFC (Asset Financing Companies) and Infrastructure Finance Companies ("**IFCs**") should not exceed 10%, 15% and 15% respectively, of the bank's capital funds as per its last audited balance sheet. The limit may be increased by another 5% provided that the excess exposure is on account of funds on-lent to the infrastructure sector.

The aggregate exposure of a bank to the capital markets in all forms (both fund based and non-fund based) should not exceed 40% of its net worth, on both standalone and consolidated basis as on March 31 of the previous year. Within this overall ceiling, the bank's direct investment in shares, convertible bonds/debentures, units of equity-oriented mutual funds and all exposures to Venture Capital Funds (VCFs) (both registered and unregistered) should not exceed 20% of its net worth on both standalone and consolidated basis.

On August 25, 2016, the RBI released guidelines on Enhancing Credit Supply for Large Borrowers through market Mechanism with the objective of mitigating the risk posed to the banking system on account of large aggregate lending to a single corporate. As per the framework, exposure to corporate with large borrowing from banking system beyond the prescribed limit would attract additional provisions and higher risk weights.

On December 1, 2016, the RBI released guidelines on Large Exposures Framework to align the exposure norms for Indian banks with the Basel Committee on Banking Supervision standards. From April 1, 2019, exposure limits to single and group borrowers will be 20% and 25% of our Tier 1 Capital funds as against the current norm of 15% and 40% of the Total Capital funds Limits.

J. Regulations Relating to Know Your Customer and Anti-Money Laundering

The RBI has issued several guidelines on Know Your Customer (KYC) and Anti Money Laundering (AML) inter-alia containing rules on (i) customer identification and acceptance; (ii) monitoring of transactions; and (iii) vigilance at the time of opening accounts for new customers to prevent misuse of the banking system. Banks have been advised to ensure that systems and procedures are in place to control financial frauds, identify money laundering and suspicious activities and monitor high value cash transactions. Such monitoring includes cross border transactions. Further, banks have also been advised to ensure that adequate policies are formulated and adopted in relation to KYC and AML.

K. Legal Reserve Requirements

1. Cash Reserve Ratio

Each bank is required to maintain CRR on a daily basis which is a specified percentage of total of Demand and Time Liabilities ("**DTL**") adjusted for the exemptions, by way of a balance in a current account with the RBI. At present the required CRR is 4%. The RBI does not pay any interest on CRR balances. The CRR has to be maintained on an average basis for a fortnightly period and the minimum daily maintenance of the CRR should be 90% effective from the fortnight beginning April 16, 2016. The RBI may impose penal interest at the rate of 3% above the bank rate on the amount by which the reserve falls short of the CRR required to be maintained on a particular day and if the shortfall continues further the penal interest charged shall be increased to a rate of 5% above the bank rate in respect of each subsequent day during which the default continues. In case of default in the maintenance of CRR on average basis during the fortnight, penal interest will be recovered as envisaged under Section 42(3) of the RBI Act.

2. Statutory Liquidity Ratio

Each Bank is required to maintain a SLR, a specified percentage of total DTL by way of liquid assets like cash, gold or approved unencumbered securities. The percentage of this liquidity ratio is fixed by the RBI from time to time, pursuant to Section 24 of the Banking Regulation Act. At present, the RBI requires banks to maintain SLR of 20.50% and this will be 20% from the fortnight commencing on June 24, 2017.

RBI requires the banks to create a reserve fund to which it must transfer not less than 25.00% of the profits of each year before dividends. If there is an appropriation from this account, the bank is required to report the same to the RBI within 21 days, explaining the circumstances leading to such appropriation.

L. Regulations relating to Authorised Dealers ("ADs") for foreign exchange and cross-border business transactions

The foreign exchange and cross border transactions undertaken by banks, both on its own account and also on behalf of customers, are subject to the provisions of the Foreign Exchange Management Act and rules/ regulations/ directions and notifications issued thereunder. The bank should monitor all non-resident accounts and cross border transactions to prevent money laundering. RBI may impose penalty for contravention of Foreign Exchange Management Act and regulations/ notifications issued there under, or for contravention of any condition subject to which an authorisation is issued by the RBI.

M. Secrecy obligations

We are mandated to keep secrecy on account of the regulations and directions of the RBI.

N. Ownership restrictions

Section 12 of the Banking Regulation Act prohibits any shareholder of the bank from exercising voting rights on poll in excess of 10% of total voting rights of all the shareholders of the bank. However, the RBI may increase this ceiling to 26% in a phased manner. At present this is capped by RBI at 15%.

RBI guidelines prescribe a policy framework for the ownership and governance of private sector banks. As per the extant guidelines any individual / entity who wishes to acquire shareholding of 5% or more but less than 10% of the total paid up capital of the Bank needs to obtain prior approval of the RBI. Thereafter prior approval is also needed to go beyond 10% of the total paid-up capital. The RBI, when considering whether to grant an approval, may take into account all matters that it considers relevant to the application, including ensuring that shareholders whose aggregate holdings are above specified thresholds meet fit and proper criteria prescribed by RBI.

The "Reserve Bank of India (Ownership in Private Sector Banks) Directions, 2016" ("**Directions on Ownership**") dated May 12, 2016, envisages diversified shareholding in private sector banks by a single entity/corporate entity/group of related entities. Pursuant to the Directions on Ownership, ownership limits for all shareholders in the private sector bank in the long run shall be stipulated under two broad categories: (i) natural persons (individuals) and (ii) legal persons (entities/institutions). Further, separate limits are now stipulated for (i) non-financial and (ii) financial institutions; and among financial institutions, for diversified and non-diversified financial institutions.

O. Issue of shares by private sector banks

The "Reserve Bank of India (Issue and Pricing of Shares by Private Sector Banks) Directions, 2016" provides general permission for issue of shares by private sector banks through the routes mentioned therein, including by way of a QIP, subject to certain conditions, including, the issue of shares and pricing thereof is required to be in compliance with the Companies Act, 2013 and SEBI regulations; the issue of shares has the approval from the bank's board or shareholders, as may be required under the Companies Act, 2013 or applicable SEBI regulations.

P. Downstream investment by banks

In accordance with the Consolidated FDI Policy, downstream investments made by a banking company, as defined in section 5(c) of the Banking Regulation Act, incorporated in India, which is owned or controlled by non-residents/ non-resident entity, under corporate debt restructuring, or other loan restructuring mechanism, or in trading books, or for acquisition of shares due to defaults in loans, shall not count towards indirect foreign investment.

Q. Guidelines for merger and amalgamation of private sector banks

The Reserve Bank of India (Amalgamation of Private Sector Banks) Directions, 2016 dated April 21, 2016 relate to, among others: (i) an amalgamation of two banking companies; and (ii) an amalgamation of an NBFC with a banking company. The provisions of the aforementioned directions apply to all private sector banks licensed to operate in India by the RBI and to the NBFCs registered with the RBI.

R. Regulation of financial services provided by banks

The Reserve Bank of India (Financial Services provided by Banks) Directions, 2016 dated May 26, 2016 require banks to comply with certain restrictions while undertaking financial services including in relation to risk mitigation measures, limits on investment that can be made by banks in companies undertaking financial services. The directions also provide for specific regulations for certain financial services such as, *inter alia*, setting of an infrastructure debt fund, underwriting activities, mutual fund business, insurance business.

S. Guidelines on management of intra-group transactions and exposures

The RBI issued the Guidelines on Management of Intra-Group Transactions and Exposures on February 11, 2014". Pursuant to the said guidelines, RBI has prescribed quantitative limits on financial intra-group transactions and exposures and prudential measures for the non-financial intra-group transactions and exposures. These guidelines also require that all intra-group transactions to be at "arms-length".

T. Capital and provisioning requirements for exposures to entities with unhedged foreign currency exposure

The RBI issued a circular relating to Capital and Provisioning Requirements for Exposures to entities with Unhedged Foreign Currency Exposure on January 15, 2014. Pursuant to these guidelines, RBI has introduced incremental provisioning and capital requirements for bank exposures to entities with unhedged foreign currency exposures.

U. Framework for revitalising distressed assets in the economy

The RBI issued the Framework for Revitalising Distressed Assets in the Economy on January 30, 2014 (the "**Framework**") which lays down the corrective action plan that will incentivise early identification of problem cases, timely restructuring of accounts which are considered to be viable, and prompt steps taken by banks for recovery or sale of unviable accounts. This framework became fully effective from April 1, 2014. In this regard, the RBI issued the Framework for Revitalising Distressed Assets in the Economy - Guidelines on Joint Lenders' Forum and Corrective Action Plan ("**CAP**") detailing guidelines on formation of the joint lenders' forum and adoption of the corrective action plan for operationalising the aforementioned framework. The RBI, by its circular dated May 5, 2017, clarified that the CAP may include resolution by way of flexible structuring of project loans, change in ownership under strategic debt restructuring or scheme for sustainable restructuring of stressed assets. The RBI, further reiterated that banks must scrupulously adhere to the timelines prescribed in the Framework for finalising and implementing of CAP and any non-compliance with the directions of the RBI with regards to the Framework shall attract monetary penalties on the concerned banks under the provisions of the Banking Regulation Act. Following the notification dated February 25, 2016, the prudential guidelines on revitalising stressed assets in the economy, have been partially revised in relation to *inter alia*, strategic debt restructuring scheme, joint lenders' forum empowered group, restructuring of advances, structuring of project loans and sale of financial assets to securitisation company/ reconstruction company.

V. Central Repository of Large Common Exposures

The RBI has introduced Central Repository of Large Common Exposures (CRILC) repository of large credits and share information with the banks for enabling them to be aware of building leverage and common exposures. All banks are required to report to RBI, on a quarterly basis, exposures of individuals and entities having exposure (both fund and non-fund based) of more than ₹50.00 million and also details of customers with outstanding current account balance (debit or credit) of ₹10.00 million and above. In addition, RBI guidelines require banks to report, among others, the SMA 2

(Principal or interest payment overdue between 61-90 days) status of the borrower to the CRILC. Any non-submission of or wrong reporting in these returns attracts penalties as specified in the Banking Regulation Act 1949.

W. The Banking Ombudsman Scheme, 2006

The Banking Ombudsman Scheme, 2006 ("**Ombudsman Scheme**") provides the extent and scope of the authority and functions of the Banking Ombudsman for redressal of grievances against deficiency in banking services, concerning loans and advances and other specified matters. On February 3, 2009, the Ombudsman Scheme was amended to provide for revised procedures for redressal of grievances by a complainant under the Ombudsman Scheme. The Banking Ombudsman receives and considers complaints relating to the deficiencies in banking or other services filed on the grounds mentioned in clause 8 and facilitates their satisfaction or settlement by agreement or through conciliation and mediation between the bank concerned and the aggrieved parties or by passing an Award in accordance with the Ombudsman Scheme.

X. Declaration of dividend by banks

The payment of dividends by banks is subject to restrictions under the Banking Regulation Act. Section 15(1) of the Banking Regulation Act states that no banking company shall pay any dividend on its shares until all its capitalized expenses (including preliminary expenses, organisation expenses, share-selling commission, brokerage, amounts of losses incurred and any other item of expenditure not represented by tangible assets) have been completely written off. In addition, Section 17(1) of the Banking Regulation Act requires every banking company to create a reserve fund and, shall out of the balance of profit of each year as disclosed in the profit and loss account, transfer a sum equivalent to not less than 20% of such profit to the reserve fund before declaring any dividend.

Further, in May 2005, the RBI issued guidelines on Declaration of Dividends by Banks, which prescribed certain conditions for declaration of dividends by banks.

Y. Regulations governing International Operations and IFSC Banking Units

Our Bank's international operations are governed by regulations in the countries in which our Bank has a presence and also certain guidelines issued by Reserve Bank of India. RBI has formulated a scheme for setting up of IFSC Banking Units ("**IBU**s"). All banks in the public sector and private sector authorized to deal in foreign exchange are eligible to set up one IBU in each IFSC with the prior permission of the RBI. The IBU is required to maintain the minimum prescribed regulatory capital on an on-going basis as per regulations amended from time to time. All prudential norms applicable to overseas branches of Indian Bank are applicable to IBUs. All transaction of IBUs shall be in currency other than INR. IBUs may undertake transactions with resident (for deployment of funds) and non-resident (for both raising of resources and deployment of funds) entities other than individuals including HNIs and retail customers.

Z. Consolidated Supervision Guidelines

In 2003, the RBI issued guidelines for consolidated accounting and consolidated supervision for banks. Under the guidelines, banks are required to prepare consolidated financial statements, submit consolidated prudential returns among other things.

AA. Regulations relating to banking business

The Banking Regulation Act defined the forms of business in a banking company may engage. RBI has issued various guidelines/directions/circulars governing the functioning of banks in India. These guidelines cover, not limited to, governance, deposits, loans, investments, risk management, operations, audit, compliance, housekeeping etc.

BB. Classification and Reporting of Fraud Cases

The RBI issued guidelines on the classification and reporting of fraud cases. The fraud cases have been classified into misappropriation and criminal breach of trust, fraudulent encashment through forged instruments, manipulation of books of account or through fictitious accounts and conversion of property, unauthorised credit facilities extended for reward or for illegal gratification, negligence and cash shortages, cheating and forgery, fraudulent transactions involving in foreign exchange and any other type of fraud not coming under the specific heads as above. The banks are required to submit fraud related data to RBI through various returns/ reports.

CC. Marginal Cost of Funds based Lending Rate (MCLR)

Pursuant to the notification issued by RBI dated December 17, 2015, all rupee loans sanctioned and credit limits renewed with effect from April 1, 2016 are to be priced with reference to the MCLR which is the internal benchmark for such purposes. MCLR comprises of: (a) marginal cost of funds; (b) negative carry on account of CRR (c) operating costs (d) tenor premium.

DD. Indian Accounting Standards

On February 16, 2015, the Ministry of Corporate Affairs (MCA), Government of India has notified the Companies (Indian Accounting Standards) Rules, 2015. On January 18, 2016 MCA outlined the roadmap for implementation of Indian Accounting Standards for banks, non-banking financial companies, select All India Term Lending and Refinancing Institutions and insurance entities. Pursuant to this, RBI has issued guidelines on February 11, 2016 on implementation of Indian Accounting Standards (Ind AS). All scheduled commercial banks to follow Indian Accounting Standards (Ind AS) for financial statements for accounting periods beginning from April 1, 2018 onwards. Ind AS would be applicable to both standalone financial statements and consolidated financial statement. These accounting standards could impact the financials of banks in many ways but not limited to the way the fair value is computed on financial assets and liabilities, the way financial assets and liabilities are classified and measured in resulting in volatility in profit or loss and equity, accounting of interest income, the credit loss provisioning which would be based on expected credit losses rather than percentage based provisioning etc.

II. Law governing our Subsidiary and Associate

The following description relates to our Subsidiary and Associate of our Bank and is not meant to be exhaustive, and is only intended to provide general information to the investors on some of the key regulations and policies applicable to our Subsidiary and Associate.

A. Non-Banking Finance Companies

The RBI Act defines an NBFC as (a) a financial institution which is a company; (b) a non-banking institution which is a company and which has, as its principal business, the receiving of deposits, under any scheme or arrangement or in any other manner, or lending in any manner; or (c) such other non-banking institution or class of institutions as the RBI may, with the previous approval of the Central Government, and by notification in the Official Gazette, specify. NBFCs are required to obtain a certificate of registration from the RBI and maintain net owned funds as prescribed, prior to commencement of the business as a non banking financial institution.

Some of the important regulations that affect the operations of the NBFCs in our group are as under:

- NBFCs are also governed by regulations on Income Recognition, Asset Classification and Provisioning norms;
- While there are no separate CRR and SLR requirements, there is a requirement to maintain Statutory Reserve in the form of cash balances / investments in financial instruments etc;
- NBFCs are also required to report large credit exposures under CRILC;
- NBFCs are required to report the frauds to Reserve Bank of India on a periodical basis much similar to that of Banks;
- NBFCs are not a part of the payment and settlement system;
- All NBFC-ND-SI are required to adhere to certain corporate governance norms, including constitution of an audit committee; and
- NBFCs will also have to put in place a 'fit and proper' criteria for the directors at the time of appointment and on an on-going basis.

B. Insurance

The insurance sector in India is governed by the Insurance Act, 1938 and the regulations, guidelines and circulars issued by IRDAI from time to time. These govern the matters relating to the insurance sector in India, such as opening of new places of business, accounts and balance sheet, audit of financial statements, actuarial report and abstract, insurance intermediaries and agents, investment of funds, valuation of assets and liabilities, solvency margins, restrictions on dividends, limits on expenses of management. IRDAI has been established under the Insurance Regulatory and Development Authority Act, 1999, to regulate, promote and ensure orderly growth of the insurance sector in India. Separately, any entity which intends to carry on the life insurance business in India must receive a certificate of registration, in accordance with regulations promulgated by IRDAI.

Some of the important areas in which the regulations are issued by IRDA which affect our operations are as under:

- Policy and procedure for issuing e-policies
- KYC guidelines

- Guidelines on investment of premium received
- Customer grievance redressal mechanism and method of charging the customers
- Guidelines on claims settlements

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Board of Directors

As per the Articles of Association of our Bank, the number of Directors in the Bank shall be not less than five and not more than 12, unless otherwise determined by the Bank in the General Meeting. The composition of our Board shall be in accordance with applicable law, including the Banking Regulation Act and the rules framed thereunder. At present, our Bank has 10 Directors including three Executive Directors and seven Independent Directors including two women Directors.

The Banking Regulation Act requires that at least 51% of Directors have specialised knowledge or practical experience in one or more of the following areas, namely, accountancy, agriculture and rural economy, banking, cooperation, economics, finance, law, small-scale industry and any other matter the special knowledge of, and practical experience in, which would in the opinion of the RBI be useful to a banking company. Out of the aforesaid number of Directors, not less than two Directors are required to have specialised knowledge or practical experience in agriculture and rural economy, co-operation or small-scale industry. As on the date of this Placement Document, all of our Directors are professionals with the prescribed special knowledge or practical experience and meet the conditions specified in the Banking Regulation Act. Further, under the Banking Regulation Act, the appointment of whole-time Directors requires the approval of the RBI. The RBI has also prescribed the “fit and proper” criteria to be considered when appointing directors of banks, with our Directors being required to make declarations confirming their on-going compliance with such criteria.

Pursuant to the provisions of the Companies Act, 2013, at least two-thirds of the total number of Directors, excluding Independent Directors, appointed are liable to retire by rotation, with one-third of such number retiring at each annual general meeting. A retiring Director is eligible for re-election. Further, an Independent Director may be appointed for not more than two terms of up to five consecutive years in accordance with the Companies Act, 2013. However, in accordance with the provisions of the Banking Regulation Act, a Director (other than the Chairman or Whole-time Director) may be appointed for a maximum period of eight years. Any re-appointment of Independent Directors shall *inter alia* be on the basis of the performance evaluation report and on such appointment being approved by the shareholders by way of special resolution. Our Directors are not required to hold any Equity Shares in our Bank to qualify as a Director.

The following table provides information about our Directors as of the date of this Placement Document. Except as disclosed below, there were no other transactions other than in the ordinary course of business undertaken by our Bank, in which our Directors are interested parties:

Sr. No.	Name	Age	Designation
1.	**Kesava Menon Chandrasekhar** **Address:** Sai Sannidhi Ushus Cooperative Housing Colony, Vattiyourkavu, Thiruvandandapuram 695 013, Kerala, India **DIN:** 06466854 **Term:** For a period of three years from July 17, 2014 **Occupation:** Retired IAS officer **Nationality:** Indian	69	Chairman, Independent Director
2.	**Shyam Srinivasan** **Address:** 101, Nagarjuna Apartments, 36 Raman Street, T Nagar Chennai 600 017, Tamil Nadu, India **DIN:** 02274773 **Term:** For a period of three years from September 23, 2016 **Occupation:** Professional **Nationality:** Indian	55	Managing Director and Chief Executive Officer
3.	**Nilesh Shivji Vikamsey** **Address:** 184, Kalpataru Habitat, Dr. S.S. Rao Road, Parel, Mumbai 400 012, Maharashtra, India	52	Independent Director

Sr. No.	Name	Age	Designation
	DIN: 00031213 **Term:** For a period of three years from July 17, 2014 **Occupation:** Professional **Nationality:** Indian		
4.	**Balagopal Chandrasekhar** **Address:** Peace Villa, E-1, Belhaven Gardens, Kawdiar, Thiruvandapuram 695 003, Kerala, India **DIN:** 00430938 **Term:** For a period of three years August 11, 2016 **Occupation:** Professional **Nationality:** Indian	64	Independent Director
5.	**Harish Hansubhai Engineer** **Address:** B 11, Sea Face Park, 50 Bhulabhai Desai Road, Mumbai 400 026, Maharashtra, India **DIN:** 01843009 **Term:** For a period of three years from July 17, 2014 **Occupation:** Professional **Nationality:** Indian	68	Independent Director
6.	**Shubhalakshmi Aamod Panse** **Address:** SNO. 130/132, Roseland PH-II, PIM. Saudagar, RHNO B/3, Pune 411 027, Maharashtra, India **DIN:** 02599310 **Term:** For a period of three years with effect from July 17, 2014 **Occupation:** Professional **Nationality:** Indian	63	Independent Director
7.	**Ashutosh Khajuria** **Address:** 604, Akruti Erica Apts, Shraddhanand Marg, Vile Parle East, Mumbai 400 057, Maharashtra, India **DIN:** 05154975 **Term:** For a period of two years with effect from January 28, 2016 **Occupation:** Banking Service **Nationality:** Indian	56	Executive Director and Chief Financial Officer
8.	**Dilip Gena Sadarangani**	67	Independent Director

Sr. No.	Name	Age	Designation
	Address: 901, LA Sonrisa, L.N. Road, opposite Ruia College, Matunga East, Mumbai 400 019, Maharashtra, India **DIN:** 06610897 **Term:** For a period of three years from July 17, 2014 **Occupation:** Professional **Nationality:** Indian		
9.	**Grace Elizabeth Koshie** **Address:** A-705 Pearl, Rajhans Dreams Stella, Barampur, Vasai (West), Thane 401 202, Maharashtra, India **DIN:** 06765216 **Term:** For a period of three years with effect from July 17, 2014 **Occupation:** Retired (from RBI) **Nationality:** Indian	64	Independent Director
10.	**Ganesh Sankaran** **Address:** 5, Lakshmi Jeevan Laxmi CHS Dr. R.P. Road, Mulund (West), Mumbai 400 080, Maharashtra, India **DIN:** 07580955 **Term:** For a period of two years with effect from July 4, 2016 **Occupation:** Professional **Nationality:** Indian	47	Executive Director

Relationship with other Directors

None of the Directors are related to each other.

Borrowing Powers of our Board of Directors

Our Bank has resolved by way of its resolution dated June 14, 2014 and our shareholders have approved by way of a special resolution dated July 17, 2014, that our Board of Directors is authorized to borrow monies from time to time such that the amount of such moneys borrowed and remaining to be repaid shall in the aggregate not exceed ₹30,000 million, at any time over and above the paid up capital and free reserves of our Bank, notwithstanding that the moneys to be borrowed, together with the moneys already borrowed by our Bank may exceed the aggregate of our Bank's paid up capital and free reserves. Subject to the approval of our shareholders in the upcoming AGM to be held on July 14, 2017, the Board of Directors shall be authorized to borrow monies from time to time such that the amount of monies borrowed and remaining to be repaid shall in the aggregate not exceed ₹70,000 million, at any time over and above the paid up capital and free reserves of our Bank, notwithstanding that the moneys to be borrowed, together with the moneys already borrowed by our Bank may exceed the aggregate of our Bank's paid up capital and free reserves.

Interest of our Directors

All of our Non-Executive Directors may be deemed to be interested to the extent of (i) fees payable to them for attending meetings of the Board or a committee thereof; and (ii) reimbursement of expenses payable to them.

Our Directors have no economic interest in the Bank except to the extent of any sitting fees, remuneration, reimbursement of expenses and equity shares held by the Directors or their relatives and associates or held by the companies, firms, trusts, partnerships or entities in which they are interested as a director, member, partner and/or trustee, executive officer and to the extent of benefits arising out of such shareholding in the Bank.

Our Directors may also be regarded as interested in the Equity Shares held by, or subscribed by and allotted to them or the companies, firms and trust, in which they are interested as directors, members, partners or trustees.

Except for the appointment letters issued by our Bank to our Executive Directors, our Directors have not entered into any contracts or arrangements with the Bank relating to their appointment and remuneration, or providing for benefits upon termination of employment.

For details relating to transactions by our Bank during the three years preceding the date of this Placement Document, in which the Directors are interested directly or indirectly, see "*Financial Statements*" on page 220.

Our Directors (excluding Independent Directors) may also be regarded as interested to the extent of employee stock options that have been granted and may be granted to them in future, under the ESOP Scheme 2010. Our Directors may also be deemed to be interested to the extent of any dividend payable to them and other distributions in respect of any Equity Shares held by them.

Furthermore, none of our Directors or any of their relatives have entered into any contract, arrangement or agreement with regard to loans or advances, guarantees or securities provided by or to the Bank.

Shareholding of our Directors

Except as disclosed below none of our Directors hold Equity Shares in our Bank as on March 31, 2017:

S. No.	Name of the Director	Shareholding in our Bank	Percentage of Shareholding in our Bank (%)
1.	Shyam Srinivasan	200,000	0.00*
2.	Ashutosh Khajuria	42,000	0.00*

**less than 0.01%*

Options held by our Directors

The following ESOPs are outstanding under our ESOS 2010 scheme, the details of which are set out below:

Name of the Director to whom employee stock options have been granted	Number of stock options outstanding as on March 31, 2017	Number of stock options vested and unexercised as on March 31, 2017	Total number of Equity Shares that would be issued as a result of full exercise of options already vested
Shyam Srinivasan	8,779,250	6,855,130	6,855,130
Ashutosh Khajuria	1,360,000	1,060,000	1,060,000
Ganesh Sankaran	925,000	-	-

Remuneration of our Directors

Executive Directors

The following tables set forth the compensation paid by our Bank to the Executive Directors during Financial Years 2018, 2017, 2016 and 2015:

Shyam Srinivasan

(*in ₹ million*)

Financial Year	Salary, Commission and variable pay	Total
2018*	2.02	2.02
2017	11.38	11.38

Financial Year	Salary, Commission and variable pay	Total
2016	11.15	11.15
2015	7.80	7.80

**As of May 31, 2017*

Further, in terms of the appointment letter dated July 2, 2010, Shyam Srinivasan is also entitled to the other benefits/perquisites including: (i) accomodation; (ii) variable pay of ₹2.50 million per annum linked to performance parameters laid down by our Board; (iii) medical expenses; (iv) employee stock options; (v) gratuity; and (vi) provident fund.

Ashutosh Khajuria

(*in ₹ million)*

Financial Year	Salary, Commission & variable pay	Total
2018*	1.39	1.39
2017	8.07	8.07
2016	10.23	10.23
2015(1)	-	-

**As of May 31, 2017*

(1)Ashutosh Khajuria was appointed as an Executive Director on January 28, 2016

Further, in terms of the appointment letter dated October 21, 2015, Ashutosh Khajuria is also entitled to the other benefits/perquisites including: (i) house rent allowance; (ii) performance linked incentive scheme of up to ₹1.50 million per annum; (iii) personal accident insurance; (iv) employee stock options; and (v) medical benefit.

Ganesh Sankaran

(*in ₹ million)*

Financial Year	Salary, Commission & variable pay	Total
2018*	1.32	1.32
2017	8.46	8.46
2016 (1)	-	-
2015(1)	-	-

**As of May 31, 2017*

(1)Ganesh Sankaran was appointed as an Executive Director on July 4, 2016

Further, in terms of the appointment letter dated July 27, 2015, Ganesh Sankaran is also entitled to the other benefits/perquisites including: (i) house rent allowance; (ii) performance linked incentive scheme of up to ₹1.50 million per annum; (iii) personal accident insurance; (iv) employee stock options; and (v) medical benefit.

Abraham Chacko

(*in ₹ million)*

Financial Year	Salary, Commission & variable pay	Total
2018*(1)	-	-
2017(1)	-	-
2016 (1)	1.25	1.25
2015	8.38	8.38

(1)Ceased to be an Executive Director on May 1, 2015

Non-Executive and Independent Directors

The following tables set forth all remuneration (including sitting fees) paid by our Bank to the Non-Executive and Independent Directors during the Financial Years 2018, 2017, 2016 and 2015:

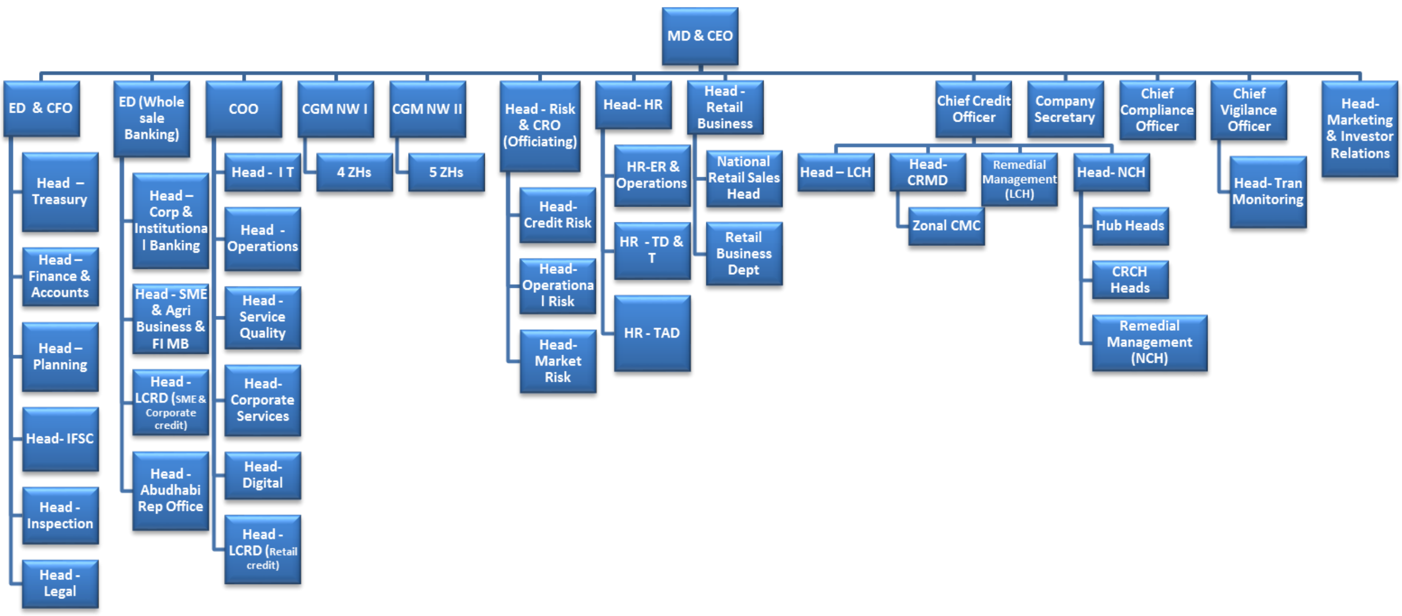
(in ₹ million)

Director	Total remuneration			
	For Fiscal 2018 (Upto May 31, 2017)	For Fiscal 2017	For Fiscal 2016	For Fiscal 2015
Nilesh Shivji Vikamsey	0.17	4.43	1.70	1.53
Balagopal Chandrasekhar	0.20	1.17	1.02	-
Harish Hansubhai Engineer	0.09	1.19	1.40	1.62
Shubhalakshmi Aamod Panse	0.29	1.78	1.39	1.55
Kesava Menon Chandrasekhar	0.58	1.64	1.56	1.46
Dilip Gena Sadarangani	0.23	1.81	1.44	1.80
Grace Elizabeth Koshie	0.26	1.95	1.65	1.69

Director	Total remuneration			
	For Fiscal 2018 (Upto May 31, 2017)	For Fiscal 2017	For Fiscal 2016	For Fiscal 2015
Abraham Koshy(1)	-	-	0.92	1.88
Sudhir M Joshi(2)	-	1.40	2.10	2.53
M Y Khan(3)	-	-	-	0.08

(1)Ceased to be a Director on May 18, 2015
(2)Ceased to be a Director on February 28, 2017
(3)Ceased to be a Director on June 24, 2014

Organizational Chart of our Bank



Senior Management Personnel

The senior management personnel of our Bank are as follows:

Shyam Srinivasan is the Managing Director and Chief Executive Officer of our Bank. He holds a bachelors degree in Engineering from University of Madras and post graduate diploma in management from Indian Institute of Management, Kolkata. He has been an employee of our Bank since September 23, 2010.

Ashutosh Khajuria is the Executive Director and Chief Financial Officer of our Bank. He holds a bachelors degree in law from Jiwaji University, Gwalior and master of arts degree from Doctor Harisingh Gour Vishwavidhyalaya, Sagar. He is also a certified associate of the Indian Institute of Bankers. He plays a key role in overseeing treasury, finance and accounts, corporate planning, inspection and legal portfolios. He has been an employee of our Bank since June 16, 2011.

Ganesh Sankaran is the Executive Director of our Bank. He holds bachelors degree in Electronics Engineering and masters degree in Business Administration from University of Poona. He plays a key role in overseeing corporate banking, SME and agricultural business, financial inclusion and micro banking, collection and recovery of SME and corporate advances and representative offices at Abu Dhabi and Dubai. He has been an employee of our Bank since September 16, 2015.

Shalini Warrier is the Chief Operating Officer of the Bank. She is a member of the Institute of Chartered Accountants of India. She plays a key role as the controller of IT department, operations department, corporate services department, digital centre of excellence and retail segment of loan collection and recovery department of the Bank. She is responsible for ensuring all the relevant support functions run smoothly. She has been an employee of the Bank since November 2, 2015.

Sumit Kakkar is the Chief Credit Officer of the Bank. He holds a bachelor of engineering degree in Mechanical Engineering from Mangalore University and masters degree in Finance and Control from University of Delhi. He plays a key role as the controller of national credit hub, large corporate hub, remedial measures and credit monitoring department of the Bank. He is responsible for overall credit growth/delivery of our Bank by ensuring the asset quality and mitigation of credit risk. He has been an employee of our Bank since August 29, 2016.

Jose V Joseph is the Executive Vice President of the Bank. He holds a bachelors degree in Commerce from University of Kerala. He is also a certified associate of the Indian Institute of Bankers. He plays a key role as the controller of Ernakulam, Kozhikode, Kottayam and Thiruvananthapuram zones of our Bank. He has been an employee of our Bank since July 19, 1976.

Sampath D is the Executive Vice President of our Bank. He holds a master of science degree in Statistics from University of Madras. He is also a certified associate of the Indian Institute of Bankers. He plays a key role as the controller of Mumbai, New Delhi, Bangalore, Chennai and Kolkata zones of our Bank. He has been an employee of our Bank since May 1, 2017.

Harsh Dugar is the Head – Corporate & Insitutional Banking of our Bank. He holds a bachelors degree in Commerce from University of Calcutta. He is also a certified member of the Institute of Cost and Works Accountants of India and Institute of Chartered Financial Analysts of India. He plays a key role in formulating our Bank’s strategy on acquisition and servicing of corporate, mid-market customers and to maintain a close track of the financial markets and suggest strategies of our Bank. He has been an employee of our Bank since October 1, 2016.

Jose K Mathew is the Senior Vice President & Head - Retail Business Department of our Bank. He holds a diploma in Commerical Practice. He is also a certified associate of the Indian Institute of Bankers. He plays a key role in the overseeing of the retail business line, branch network, workplace banking and all initiatives to ensure service delivery and strategy fulfilment in retail business. He has been an employee of our Bank since August 18, 1980.

Girish Kumar Ganapathy is the Senior Vice President cum Company Secretary of the Bank. He holds a bachelors degree in law from University of Bombay and a bachelors degree in commerce from University of Calicut. He is also a certified associate of the Institute of Companies Secretaries of India. He plays a key role in ensuring compliance with various instructions and directives issued by statutory, regulatory, government bodies and other bodies as well as the internal guidelines of the Bank. He has been an employee of our Bank since November 16, 1995.

Shareholding of the Senior Management Personnel

As of March 31, 2017, except as stated below, none of the Senior Management Personnel hold Equity Shares in our Bank:

Name	Number of Equity Shares	Percentage of Shareholding in our Bank (%)
Sumit Kakkar	2,178	0.00*
Jose V Joseph	33,480	0.00*
Sampath D	20,000	0.00*
Harsh Dugar	100,000	0.00*
Jose K Mathew	10,000	0.00*
Girish Kumar Ganapathy	7,000	0.00*

**less than 0.01%*

Options held by our Senior Management Personnel

The following ESOPs are outstanding under our ESOS 2010 scheme, the details of which are set out below:

Name of the Senior Management Personnel to whom employee stock options have been granted	Number of stock options outstanding as on March 31, 2017	Number of stock options vested and unexercised as on March 31, 2017
Shalini Warrier	640,000	-
Sumit Kakkar	225,000	-
Jose V Joseph	113,470	65,470
Sampath D	135,950	79,450
Harsh Dugar	200,000	-
Jose K Mathew	97,650	62,410
Girish Kumar Ganapathy	48,790	16,050

Interest of the Senior Management Personnel

The Senior Management Personnel have no economic interest in the Bank except to the extent of any remuneration or benefits to which they are entitled as per the terms of their appointment and reimbursement of expenses incurred by them during the ordinary course of business and to the extent of any Equity Shares and employee stock options, if any, held by them in the Bank, if any.

Our Senior Management Personnel are not party to any bonus or profit sharing plan of the Bank.

None of our Directors are related to any of the Senior Management Personnel of our Bank.

Furthermore, except for Harsh Dugar, Ganesh Kumar Ganapathy and Ganesh Sankaran, none of our Senior Management Personnel have taken any loans and advances from the Bank.

Corporate Governance

Our Bank has been complying with the requirements of all applicable corporate governance norms, including the SEBI Listing Regulations in relation to the constitution of our Board of Directors and committees thereof. The corporate governance framework is based on an effective independent Board, separation of the supervisory role of our Board of Directors from the executive management team and proper constitution of committees of our Board. Our Board of Directors functions either as a full Board or through various committees constituted to oversee specific operational areas.

As the Chairman of our Bank is a Non-Executive Director of our Bank, at least one-third of the Board of Directors is required to consist of independent directors in accordance with Regulation 17(1)(b) of SEBI Listing Regulations. Our Bank is compliant with Regulation 17 of the SEBI Listing Regulations, with seven of our Directors are eligible to be considered as independent directors under the SEBI Listing Regulations. The SEBI Listing Regulations requires every company to appoint one woman director on its Board. Our Bank has appointed two women directors on the Board.

Our Board of Directors has held 11 meetings during the Financial Year 2017.

Committees of our Board of Directors

In accordance with the SEBI Listing Regulations, and the Companies Act including the rules made thereunder, our Bank has constituted the following committees of our Directors:

1. ***Audit Committee;***

   The members of the Audit Committee at present are:

   - Grace Elizabeth Koshie (Chairperson);
   - Nilesh Shivji Vikamsey; and
   - Shubhalakshmi Amod Panse.

2. ***CSR Committee;***

   The members of the CSR Committee at present are:

   - Harish Hansubhai Engineer (Chairman);
   - Kesava Menon Chandrasekhar;
   - Shyam Srinivasan; and
   - Ashutosh Khajuria.

3. ***Nomination, Remuneration, Ethics and Compensation Committee;***

   The members of the Nomination, Remuneration, Ethics and Compensation Committee at present are:

   - Nilesh Shivji Vikamsey (Chairman);
   - Kesava Menon Chandrasekhar; and
   - Dilip Gena Sadarangani.

4. Investor Grievance, Share Transfer and Stakeholders Relationship Committee;

The members of the Investor Grievance, Share Transfer and Stakeholders Relationship Committee at present are:

- Dilip Gena Sadarangani (Chairman);
- Balagopal Chandrasekhar;
- Shyam Srinivasan; and
- Ashutosh Khajuria.

5. Risk Management Committee;

The member of the Risk Management Committee at present are:

- Shubhalakshmi Amod Panse (Chairperson);
- Grace Elizabeth Koshie;
- Balagopal Chandrasekhar;
- Shyam Srinivasan; and
- Ashutosh Khajuria

Further, in addition to the aforementioned committees, our Bank has constituted the following committees in compliance with other relevant regulatory guidelines: (i) HR Committee; (ii) Credit Committee; (iii) Customer Service Committee; (iv) Information Technology & Operations Committee; (v) SCBF Committee; (vi) Review Committee of the Board on Non Co-operative Borrowers; and (vii) Review Committee of the Board for Wilful Defaulters.

Employee Stock Option Plans

Our Bank instituted ESOS 2010 pursuant to a special resolution dated December 24, 2010 passed through postal ballot. ESOS 2010 has been instituted for the benefit of such employees and directors (including our Managing Director and CEO) of our Bank or any of its subsidiary company not exceeding 5% of the paid up Equity Share capital of our Bank, fully paid on payment of the requisite exercise price, in such manner and subject to such terms and conditions as the Nomination and Remuneration Committee may decide, subject to necessary provisions and approvals. Further, subject to the approval of our Shareholders in the upcoming AGM to be held on July 14, 2017, our Board has approved the implementation of ESOS 2017 for grant of options to employees and directors of our Bank (including Managing Director and CEO) (whether in India or abroad).

Other Confirmations

None of the Directors or Senior Management Personnel of our Bank have any financial or other material interest in this Issue and there is no effect of such interest in so far as it is different from the interests of other persons.

None of the Directors have ever been identified as willful defaulters by any bank or financial institution or consortium thereof, in accordance with the guidelines on willful defaulters issued by the RBI.

Related Party Transactions

For details in relation to the related party transactions entered by our Bank during the last three Financial Years under AS 18, immediately preceding the year of circulation of this Placement Document, please see the section entitled "*Financial Statements*" on page 220.

PRINCIPAL SHAREHOLDERS

I. The following table sets forth the details regarding the shareholding pattern of our Bank, as on March 31, 2017:

Category of shareholder	Nos. of shareholders	No. of fully paid up Equity Shares held	No. of Equity Shares underlying Depository Receipts	Total nos. shares held	Shareholding as a % of total no. of shares (calculated as per SCRR, 1957)As a % of (A+B+C2)	Number of equity shares held in dematerialized form
(A) Promoter & Promoter Group	-	-	-	-	-	-
(B) Public	170,799	1,692,839,553	-	1,692,839,553	100.00	1,655,434,171
(C1) Shares underlying DRs	1	-	31,205,861	31,205,861	0.00	31,205,861
(C2) Shares held by Employee Trust	-	-	-	-	0.00	-
(C) Non Promoter-Non Public	-	-	31,205,861	31,205,861	0.00	31,205,861
Grand Total	**170,800**	**1,692,839,553**	**31,205,861**	**1,724,045,414**	**100.00**	**1,686,640,032**

II. The following table sets forth the details regarding the shareholding of the Promoter and Promoter Group as on March 31, 2017: Nil

III. The following table sets forth the details regarding the shareholding of persons belonging to the category "Public" as on March 31, 2017:

Category & name of the shareholders	No. of shareholder	No. Of fully paid up equity shares held	No. of Equity Shares underlying Depository Receipts	Total no. Shares held	Shareholding % calculated as per SCRR, 1957 as a % of (a+b+c2)	No of voting rights	Total as a % of total voting right	Number of equity shares held in dematerialized form(not applicable)
B1) Institutions	0	0			0.00		0.00	
Mutual Funds/	190	447,829,246	-	447,829,246	26.45	447,829,246	26.45	447,733,466
ICICI Prudential	1	28,030,895	-	28,030,895	1.66	28,030,895	1.66	28,030,895
DSP Black Rock	1	40,910,400	-	40,910,400	2.42	40,910,400	2.42	40,910,400
Birla Sun Life Trustee Co Private Limited	1	51,941,389	-	51,941,389	3.07	51,941,389	3.07	51,941,389
L & T Mutual Fund Trustee Limited	1	26,618,119	-	26,618,119	1.57	26,618,119	1.57	26,618,119
HDFC Trustee Company Limited	1	71,971,600	-	71,971,600	4.25	71,971,600	4.25	71,971,600
Kotak Mahindra	1	30,848,067	-	30,848,067	1.82	30,848,067	1.82	30,848,067
Reliance Capital Trustees Co Ltd	1	69,287,309	-	69,287,309	4.09	69,287,309	4.09	69,287,309
UTI	1	32,070,510	-	32,070,510	1.89	32,070,510	1.89	32,070,510
Mirae Asset	1	18,765,152	-	18,765,152	1.11	18,765,152	1.11	18,765,152
Alternative Investment	6	2,447,081	-	2,447,081	0.14	2,447,081	0.14	2,447,081

Category & name of the shareholders	No. of shareholder	No. Of fully paid up equity shares held	No. of Equity Shares underlying Depository Receipts	Total no. Shares held	Shareholding % calculated as per SCRR, 1957 as a % of (a+b+c2)	No of voting rights	Total as a % of total voting right	Number of equity shares held in dematerialized form(not applicable)
Funds								
Foreign Portfolio Investors	185	529,652,923	-	529,652,923	31.29	529,652,923	31.29	529,652,923
Franklin Templeton Investment Funds	1	52,381,941	-	52,381,941	3.09	52,381,941	3.09	52,381,941
MFS International new Discovery Fund	1	18,342,466	-	18,342,466	1.08	18,342,466	1.08	18,342,466
Parvest Equity India	1	20,300,000	-	20,300,000	1.20	20,300,000	1.20	20,300,000
Dimensional Emerging Markets Value Fund	1	17,751,105	-	17,751,105	1.05	17,751,105	1.05	17,751,105
East Bridge Capital Master Fund Limited	1	48,345,447	-	48,345,447	2.86	48,345,447	2.86	48,345,447
Government Pension Fund Global	1	46,111,582	-	46,111,582	2.72	46,111,582	2.72	46,111,582
Bank Muscat India Fund	1	33,351,210	-	33,351,210	1.97	33,351,210	1.97	33,351,210
Morgan Stanley Mauritius Company Fund	1	19,361,867	-	19,361,867	1.14	19,361,867	1.14	19,361,867
Financial Institutions/ Banks	26	43,129,605	-	43,129,605	2.55	43,129,605	2.55	43,000,105
Life Insurance Corporation of India	1	40,344,910	-	40,344,910	2.38	40,344,910	2.38	40,344,910
Insurance Companies	3	29,440,000	-	29,440,000	1.74	29,440,000	1.74	29,440,000
General Insurance Corporation of India	1	27,800,000	-	27,800,000	1.64	27,800,000	1.64	27,800,000
Sub Total B1	410	1,052,498,855	-	1,052,498,855	62.17	1,052,498,855	62.17	1,052,273,575
B2) Central Government/ State Government(s) / President of India	0	0			0.00		0.00	
Central Government/ State Government(s)/ President of India	1	10		10	0.00	10	0.00	10
Sub Total B2	1	10		10	0.00	10	0.00	10
B3) Non-Institutions	0	0			0.00		0.00	
Individual share capital	168,271	231,410,761	-	231,410,761	13.67	231,410,761	13.67	196,405,249

Category & name of the shareholders	No. of shareholder	No. Of fully paid up equity shares held	No. of Equity Shares underlying Depository Receipts	Total no. Shares held	Shareholding % calculated as per SCRR, 1957 as a % of (a+b+c2)	No of voting rights	Total as a % of total voting right	Number of equity shares held in dematerialized form(not applicable)
upto ₹2 Lacs								
Individual share capital in excess of ₹2 Lacs	148	166,629,738	-	166,629,738	9.84	166,629,738	9.84	165,503,718
Yusuffali Musaliam Veetil Abdul Kader	1	63,153,640	-	63,153,640	3.73	63,153,640	3.73	63,153,640
Jhunjhunwala Rakesh Radheshyam	1	39,331,060	-	39,331,060	2.32	39,331,060	2.32	39,331,060
NBFCs registered with RBI	15	1,217,219	-	1,217,219	0.07	1,217,219	0.07	1,217,219
Any Other (specify)	1,954	241,082,970	-	241,082,970	14.24	241,082,970	14.24	240,034,400
Clearing Members	524	8,005,921	-	8,005,921	0.47	8,005,921	0.47	8,005,921
Corporate Bodies – Foreign Bodies - DR	2	738,472	-	738,472	0.04	738,472	0.04	738,472
Bodies Corporate	1287	64,421,003	-	64,421,003	3.81	64,421,003	3.81	63,770,483
FII-DR	1	321,786	-	321,786	0.02	321,786	0.02	321,786
FII	48	109,388,490	-	109,388,490	6.46	109,388,490	6.46	109,058,240
Foreign Portfolio Investors (Category III)	13	21,556,203	-	21,556,203	1.27	21,556,203	1.27	21,556,203
Limited Liability Partnership	49	1,533,928	-	1,533,928	0.09	1,533,928	0.09	1,533,928
Trusts	29	10,733,253	-	10,733,253	0.63	10,733,253	0.63	10,665,453
Amansa Holdings Private Limited	1	73,000,000	-	73,000,000	4.31	73,000,000	4.31	73,000,000
International Finance Corporation	1	24,383,914	-	24,383,914	1.44	24,383,914	1.44	24,383,914
Sub Total B3	170,388	640,340,688	-	640,340,688	37.83	640,340,688	37.83	603,160,586
B=B1+B2+B3	170799	1,692,839,553	-	1,692,839,553	100.00	1,692,839,553	100.00	1,655,434,171

IV. **Statement showing shareholding pattern of the non-promoter- non-public shareholders as on March 31, 2017**

Category & name of the shareholders(i)	No. of shareholder(iii)	No. of fully paid up equity shares held(iv)	Nos. of shares underlying depository receipts(vi)	Total no. Shares held(vii = iv+v+vi)	Shareholding % calculated as per SCRR, 1957 as a % of (a+b+c2)(viii)	Number of equity shares held in dematerialized form(xiv)(not applicable)
(C1) Custodian/DR Holder	0	0	-	-	0.00	0
Custodian/DR Holder	1	0	31,205,861	31,205,861	0.00	31,205,861
Deutsche Bank Trust Company Americas	1	0	31,205,861	31,205,861	0.00	31,205,861
Sub Total C1	1	0	31,205,861	31,205,861	0.00	31,205,861

(C2) Employee Benefit Trust	0	0	-	-	0.00	0
C = C1 + C2	1	0	31,205,861	31,205,861	0.00	31,205,861

V. **Details of disclosure made by the Trading Members holding 1% or more of the Total no. of Equity Shares of the Company: NIL**

ISSUE PROCEDURE

Below is a summary, intended to provide a general outline of the procedures for the Bidding, application, payment, Allocation and Allotment of the Equity Shares to be issued pursuant to the Issue. The procedure followed in the Issue may differ from the one mentioned below, and Bidders are presumed to have apprised themselves of the same from our Bank or the BRLMs.

Bidders are advised to inform themselves of any restrictions or limitations that may be applicable to them and are required to consult their respective advisers in this regard. Bidders that apply in the Issue will be required to confirm and will be deemed to have represented to our Bank, the BRLMs and their respective directors, officers, agents, affiliates and representatives that they are eligible under all applicable laws, rules, regulations, guidelines and approvals to acquire the Equity Shares. Our Bank and the BRLMs and their respective directors, officers, agents, affiliates and representatives accept no responsibility or liability for advising any Bidder on whether such Bidder is eligible to acquire the Equity Shares. Please see the section entitled, "Selling Restrictions" and "Transfer Restrictions and Purchaser Representations" on pages 180 and 186.

Qualified Institutions Placement

The Issue is being made to QIBs in accordance with Chapter VIII of the SEBI ICDR Regulations and Sections 42 and 62 of the Companies Act, 2013, through a qualified institutions placement. Under Chapter VIII of the SEBI ICDR Regulations and Section 42 of the Companies Act, 2013 read with Rule 14 of the Companies (Prospectus and Allotment of Securities) Rules, 2014, as amended, a listed issuer in India may issue equity shares, non-convertible debt instruments along with warrants and convertible securities (other than warrants) to QIBs, provided, *inter alia*, that:

- a special resolution approving the qualified institutions placement has been passed by its shareholders. Such special resolution must specify (i) that the allotment of the Equity Shares is proposed to be made pursuant to the qualified institutions placement; and (ii) the relevant date;

- equity shares of the same class of such issuer, which are proposed to be allotted through the qualified institutions placement or pursuant to conversion or exchange of eligible securities, are listed on a recognized stock exchange in India that has nation-wide trading terminals for a period of at least one year prior to the date of issuance of notice to its shareholders for convening the meeting to pass the above-mentioned special resolution;

- such issuer complies with the minimum public shareholding requirements as set out in the SCRR; and

- such issuer should have completed allotments with respect to any offer or invitation made, or should have withdrawn, or abandoned any invitation or offer made by the issuer.

At least 10% of the Equity Shares issued to QIBs must be allotted to Mutual Funds, provided that, if this portion or any part thereof to be allotted to Mutual Funds remains unsubscribed, it may be allotted to other QIBs. A QIB has been specifically defined under Regulation 2(1)(zd) of the SEBI ICDR Regulations.

Bidders are not allowed to withdraw their Bids after the closure of the Issue.

Bidders will be required to make certain certifications in order to participate in the Issue including that they are either (A) outside the U.S. and purchasing the Equity Shares in an offshore transaction (as defined in Regulation S) or (B) a "qualified institutional buyer" as defined in Rule 144A.

Additionally, there is a minimum pricing requirement under the SEBI ICDR Regulations. The issue price of the equity shares issued pursuant to the QIP shall not be less than the average of the weekly high and low of the closing prices of the issuer's equity shares of the same class quoted on the stock exchange during the two weeks preceding the relevant date. However, a discount of up to 5% of the floor price is permitted in accordance with the provisions of the SEBI ICDR Regulations.

The "relevant date" refers to the date of the meeting in which the board of directors or the committee of directors duly authorised by the board of the issuer decides to open the proposed issue and the "stock exchange" means any of the recognised stock exchanges in India in which the equity shares of the same class of the issuer are listed and on which the highest trading volume in such shares has been recorded during the two weeks immediately preceding the relevant date.

Securities must be allotted within 12 months from the date of the shareholders' resolution approving the QIP and also within the period of 60 days from the date of receipt of subscription money from the relevant QIBs. The securities issued pursuant to a QIP must be issued on the basis of a placement document that shall contain all material information including the information specified in Schedule XVIII of the SEBI ICDR Regulations and Form PAS-4, as prescribed under the Companies Act, 2013 and the Companies (Prospectus and Allotment of Securities) Rules, 2014, as amended. The preliminary placement document and the placement document are private documents provided to select investors through serially numbered copies and are required to be placed on the website of the concerned stock exchange and of the issuer with a disclaimer to the effect that it is in connection with an issue to QIBs and no offer is being made to the public or to any other category of investors.

This Issue was authorised and approved by our Board of Directors and our Shareholders on April 28, 2017 and June 7, 2017, respectively. Further, this Issue has general permission of the RBI in terms of Clause 4(ii)(b) and Clause 5 of the Reserve Bank of India (Issue and Pricing of Shares by Private Sector Banks) Directions, 2016 dated April 21, 2016, subject to compliance with certain conditions.

Our Bank has received the in-principle approval of BSE and NSE in accordance with the provisions of Regulation 28(1) of the SEBI Listing Regulations, for the listing of the Equity Shares on BSE and NSE. Our Bank has filed a copy of the Preliminary Placement Document and this Placement Document with the Stock Exchanges.

The minimum number of Allottees for each qualified institutions placement shall not be less than:

- two, where the issue size is less than or equal to ₹2.5 billion; and
- five, where the issue size is greater than ₹2.5 billion.

No single Allottee shall be Allotted more than 50% of the Issue Size. QIBs that belong to the same group or that are under common control shall be deemed to be a single Allottee.

In terms of Regulation 89 of the SEBI ICDR Regulations, the aggregate of the proposed qualified institutions placement and all previous qualified institutions placements made in the same financial year shall not exceed five times the net worth of our Bank as per its audited balance sheet of the previous Financial Year.

Equity Shares allotted to a QIB pursuant to the Issue shall not be sold for a period of one year from the date of Allotment, except on the floor of the Stock Exchanges. Allotments made to VCFs and AIFs in the Issue are subject to the rules and regulations that are applicable to them, including in relation to lock-in requirements.

The Equity Shares offered hereby have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Accordingly, the Equity Shares are being offered and sold (a) in the United States only to persons reasonably believed to be Qualified Institutional Buyers (as defined in Rule 144A under the Securities Act) pursuant to Section 4(a)(2) of the Securities Act, and (b) outside the United States in offshore transactions in reliance on Regulation S under the Securities Act. For a description of certain restrictions on transfer of the Equity Shares, see the "*Transfer Restrictions and Purchaser Representations*" on page 186.

The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.

Issue Procedure

1. Our Bank and the BRLMs shall circulate serially numbered copies of the Preliminary Placement Document and the Application Form, either in electronic or physical form, to QIBs and the Application Form will be specifically addressed to such QIBs. In terms of Section 42(7) of the Companies Act, 2013, our Bank shall maintain complete records of QIBs to whom the Preliminary Placement Document and the serially numbered Application Form have been dispatched. Our Bank will make the requisite filings with RoC and SEBI within the stipulated time period as required under the Companies Act, 2013 and the Companies (Prospectus and Allotment of Securities) Rules, 2014.

2. The list of QIBs to whom the Application Form is delivered shall be determined by the BRLMs in consultation with our Bank. **Unless a serially numbered Preliminary Placement Document along with the Application Form is addressed to a particular QIB, no invitation to make an offer to subscribe the Equity Shares shall be deemed to have been made to such a QIB.** Even if such documentation were to come into the possession of any person other than the intended recipient, no offer or invitation to offer shall be deemed to have been made to such person and any application that does not comply with this requirement shall be treated as invalid.

3. QIBs shall submit Bids for, and our Bank shall issue and Allot to each Allottee at least such number of Equity Shares in the Issue which would aggregate to ₹20,000 calculated at the face value of the Equity Shares.

4. QIBs may submit an Application Form, including any revisions thereof, during the Bid/Issue Period to the BRLMs.

5. QIBs will be required to indicate the following in the Application Form:

    a. a representation that it is either (i) outside the United States acquiring the Equity Shares in an offshore transaction under Regulation S, or (ii) a "qualified institutional buyer" as defined in Rule 144A, and it has agreed to certain other representations set forth in the Application Form;

b. full official name of the QIB to whom the Equity Shares are to be Allotted;

c. number of Equity Shares Bid for;

d. price at which they are agreeable to subscribe for the Equity Shares, provided that QIBs may also indicate that they are agreeable to submit an Application Form at "Cut-off Price", which shall be any price as may be determined by our Bank in consultation with the BRLMs at or above the Floor Price. Our Bank may offer a discount of not more than 5% on the Floor Price in terms of Regulation 85 of the SEBI ICDR Regulations; and

e. details of the depository accounts to which the Equity Shares should be credited.

Note: Each sub-account of an Eligible FPI, other than a sub-account which is a foreign corporate or a foreign individual, will be considered as an individual QIB and separate Application Forms would be required from each such sub-account for submitting the Application Forms. Eligible FPIs or sub-accounts of such FPIs are required to indicate the SEBI FPI or sub-account registration number in the Application Form. The Bids made by the asset management companies or custodian of Mutual Funds shall specifically state the names of the concerned schemes for which the Bids are made. In case of a Mutual Fund, a separate Bid can be made in respect of each scheme of the Mutual Fund registered with SEBI and such Bids in respect of more than one scheme of the Mutual Fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme for which the Bid has been made. Application by various schemes or funds of a Mutual Fund will be treated as one application from the Mutual Fund. Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable laws.

6. Once a duly completed Application Form is submitted by a QIB, such Application Form constitutes an irrevocable offer and cannot be withdrawn after the Bid/Issue Closing Date. The Bid may be revised during the Issue Period by submitting a bid revision application form available with the BRLMs. Any revision of the Bid submitted after the Issue Period will not be considered as valid and the original Bid will stand. The Bid/Issue Closing Date shall be notified to the Stock Exchanges and the QIBs shall be deemed to have been given notice of such date after receipt of the Application Form.

7. Upon receipt of the duly completed Application Form, our Bank, after closure of the Issue, shall determine the final terms, including the Issue Price and the number of the Equity Shares to be Allocated pursuant to the Issue in consultation with the BRLMs. Upon determination of the Issue Price and the QIBs to whom Allocation shall be made, the BRLMs, on behalf of our Bank, will send the CANs, along with serially numbered Placement Document, to the QIBs who have been Allocated Equity Shares. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the QIB to pay the entire Issue Price for all the Equity Shares Allocated to such QIB. The CAN shall contain details such as the number of the Equity Shares Allocated to the QIB and payment instructions including the details of the amounts payable by the QIB for Allotment of the Equity Shares in its name and the Pay-in Date as applicable to the respective QIB. **Please note that the Allocation will be at the absolute discretion of our Bank and will be based on the recommendation of the BRLMs.**

8. Pursuant to receiving a CAN, each QIB shall be required to make the payment of the entire application monies for the Equity Shares indicated in the CAN at the Issue Price, only through electronic transfer to our Bank's designated bank account by the Pay-in Date as specified in the CAN sent to the respective QIBs.

9. No payment shall be made by QIBs in cash. Please note that any payment of application money for the Equity Shares shall be made from the bank accounts of the relevant QIBs applying for the Equity Shares and our Bank shall keep a record of the bank account from where such payment for subscriptions have been received. Monies payable on Equity Shares to be held by joint holders shall be paid from the bank account of the person whose name appears first in the application. Pending Allotment, all monies received for subscription of the Equity Shares shall be kept by our Bank in a separate bank account with a scheduled bank and shall be utilised only for the purposes permitted under the Companies Act, 2013.

10. Upon receipt of the application monies from the QIBs, our Bank shall Allot the Equity Shares as per the details in the CAN sent to the QIBs. Our Bank will intimate to the Stock Exchanges the details of the Allotment and apply for approvals of the Equity Shares for listing on the Stock Exchanges prior to crediting the Equity Shares into the Depository Participant accounts of the QIBs.

11. Upon receipt of the listing approval from the Stock Exchanges, our Bank shall credit the Equity Shares into the Depository Participant accounts of the respective QIBs.

12. Our Bank shall then apply for the final listing and trading permissions from the Stock Exchanges.

13. The Equity Shares that have been credited to the Depository Participant accounts of the QIBs shall be eligible for trading on the Stock Exchanges only upon the receipt of final listing and trading approvals from the Stock Exchanges. Upon receipt of the final listing and trading approval from the Stock Exchanges, our Bank shall inform the QIBs who have

received an Allotment of the receipt of such approval. Our Bank and the BRLMs shall not be responsible for any delay or non-receipt of the communication of the final listing and trading permissions from the Stock Exchanges or any loss arising from such delay or non-receipt. Final listing and trading approvals granted by the Stock Exchanges are also placed on their respective websites. QIBs are advised to apprise themselves of the status of the receipt of the permissions from the Stock Exchanges or our Bank.

Qualified Institutional Buyers

Only QIBs as defined in Regulation 2(1)(zd) of the SEBI ICDR Regulations, and not otherwise excluded pursuant to Regulation 86(1)(b) of the SEBI ICDR Regulations are eligible to invest in the Issue. Under Regulation 86(1)(b) of the SEBI ICDR Regulations, no Allotment shall be made, either directly or indirectly, to any QIB who is a promoter or any person related to the Promoter. Currently, the definition of a QIB includes:

1. Mutual funds, venture capital funds, alternate investment funds and foreign venture capital investors registered with SEBI;

2. Foreign Portfolio Investors other than Category III Foreign Portfolio Investors;

3. Public financial institutions as defined in Section 2 (72) of the Companies Act, 2013;

4. Scheduled commercial banks;

5. Multilateral and bilateral development financial institutions;

6. State industrial development corporations;

7. Insurance companies registered with IRDAI;

8. Provident funds with minimum corpus of ₹2.5 billion;

9. Pension funds with minimum corpus of ₹2.5 billion;

10. National Investment Fund set up by Government of India, set up by resolution no. F. No. 2/3/2005-DDII, dated November 23, 2005;

11. Insurance funds set up and managed by army, navy or air force of the Union of India;

12. Insurance funds set up and managed by the Department of Posts, India; and

13. Systemically important non-banking financial companies (being a non-banking financial companies registered with the RBI and having a net worth of more than ₹5,000 million as per the last audited financial statements).

Foreign Portfolio Investors are permitted to participate in the Issue subject to compliance with applicable law and such that the shareholding of the Foreign Portfolio Investors does not exceed specified limits as prescribed under applicable law in this regard. In terms of the SEBI FPI Regulations, purchase of equity shares of each company by a single Eligible FPI or an investor group shall be below 10% of the total issued capital of such company.

Other eligible non-resident QIBs can participate in the Issue under Schedule 1 of the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000. Under the current Consolidated FDI Policy, the total foreign ownership in a private sector bank cannot exceed 74% of the paid-up capital (49% of the paid-up capital under the automatic route and above 49% of the paid-up capital and up to 74% of the paid-up capital under the approval route). The Shareholders of our Bank's pursuant to a special resolution passed on June 7, 2017 through the postal ballot process have authorised Board of Directors of our Bank to increase the limits up to which FPIs can invest in the Bank to 74%. The Bank through its letters dated May 15, 2017 and June 12, 2017 has intimated the RBI of the Board and Shareholders' approval received for the increase in FPI investment limits. The RBI is yet to issue a press release taking note of the increase FPI investment limits.

Our Bank and the BRLMs and any of their respective shareholders, directors, partners, officers, employees, counsel, advisors, representatives, agents or affiliates are not liable for any amendment or modification or change to applicable laws or regulations, which may occur after the date of this Placement Document. QIBs are advised to make their independent investigations and satisfy themselves that they are eligible to apply. QIBs are advised to ensure that any single application from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law or regulation or as specified in this Placement Document. Further, QIBs are required to satisfy themselves that their Bids would not eventually result in triggering a tender offer under the Takeover Regulations. The QIB shall be solely responsible for compliance with the provisions of SEBI (Prohibition of Insider Trading) Regulations, 2015 and other applicable laws, rules and regulations.

A minimum of 10% of the Equity Shares offered in the Issue shall be Allotted to Mutual Funds. If no Mutual Fund is agreeable to take up the minimum portion as specified above, such minimum portion or part thereof may be Allotted to other QIBs.

Note: *Affiliates or associates of the BRLMs who are QIBs may participate in the Issue in compliance with applicable laws.*

Application Process

Application Form

QIBs shall only use the serially numbered Application Forms supplied by the BRLMs in either electronic form or by physical delivery for the purpose of making a Bid (including revision of a Bid) in terms of this Placement Document.

By making a Bid (including the revision thereof) for the Equity Shares through Application Forms, the QIB will be deemed to have made the following representations and warranties and the representations, warranties and agreements made under the sections entitled "*Representations by Investors*", "*Selling Restrictions*" and "*Transfer Restrictions and Purchaser Representations*" on pages 5, 180 and 186 respectively:

1. The QIB confirms that it is a QIB in terms of Regulation 2(1)(zd) of the SEBI ICDR Regulations and not excluded under Regulation 86 of the SEBI ICDR Regulations, has a valid and existing registration under applicable laws and is eligible to participate in the Issue;

2. The QIB acknowledges that it has no right to withdraw its Bid after the Bid /Issue Closing Date;

3. The QIB confirms that if the Equity Shares are Allotted through the Issue, it shall not, for a period of one year from Allotment, sell such Equity Shares otherwise than on the floor of the Stock Exchanges;

4. The QIB confirms that the QIB is eligible to apply and hold the Equity Shares so Allotted and together with any Equity Shares held by the QIB prior to the Issue. The QIB further confirms that the holding of the QIB, does not and shall not, exceed the level permissible as per any applicable regulations applicable to the QIB;

5. The QIB confirms that the Application would not result in triggering a tender offer under the Takeover Regulations;

6. The QIB confirms that to the best of its knowledge and belief, together with other QIBs in the Issue that belong to the same group or are under common control, the Allotment to the QIB shall not exceed 50.00% of the Issue Size. For the purposes of this statement:

   a. The expression "belongs to the same group" shall derive meaning from the concept of "companies under the same group" as provided in Section 372(11) of the Companies Act, 1956;

   b. "Control" shall have the same meaning as is assigned to it under Regulation 2(1)(e) of the Takeover Regulations.

7. The QIB confirms that it shall not undertake any trade in the Equity Shares credited into the beneficiary account maintained with the Depository Participant by the QIBs until such time that the final listing and trading approvals for the Equity Shares are issued by the Stock Exchanges.

8. The QIB acknowledges, represents and agrees that in the event its total interest in the paid-up share capital of our Bank or voting rights in our Bank, whether direct or indirect, beneficial or otherwise (any such interest, your "**Shareholding**"), when aggregated together with any existing Shareholding and/or Shareholding of any of the persons acting in concert, results in Shareholding of 5% or more of the total paid-up share capital of, or voting rights in, our Bank a disclosure of the aggregate shareholding and voting rights will have to be made under the Takeover Regulations. In case such QIB is an existing shareholder who, together with persons acting in concert, holds 5% or more of the underlying paid up share capital of, or voting rights in our Bank a disclosure will have to be made under the Takeover Regulations in the event of a change of 2% or more in the existing Shareholding of the QIB and persons acting in concert.

9. You are aware that in accordance with Section 12B of the Banking Regulation Act, 1949 read with the Reserve Bank of India (Prior approval for acquisition of shares or voting rights in private sector banks) Directions, 2015, dated November 19, 2015, ("**RBI Acquisition Circular**") no person can make an acquisition which will/is likely to take the aggregate holding of such person (as defined in the RBI Acquisition Circular), together with shares, voting rights, compulsorily convertible debentures or bonds held by him or his relatives, associate enterprise (as defined in the Banking Regulations Act) and persons acting in concert with him ("**Holding**") to 5% or more of the total paid-up share capital of our Bank, or be entitled to exercise 5% or more of the total voting rights of our Bank, without prior approval of the RBI. Accordingly, you hereby represent that your (direct or indirect) aggregate holding in the paid-up share capital of our Bank, whether beneficial or otherwise:

(i). after subscription to the Equity Shares in the Issue by your relatives, your associate enterprises (as defined in the Banking Regulations Act) or persons acting in concert with you, aggregated with your pre-Issue Holding; or

(ii). after subscription to the Equity Shares in the Issue by you aggregated with your pre-Issue Holding;

shall not amount to 5% or more of the total paid-up share capital of our Bank or would not entitle you to exercise 5% or more of the total voting rights of our Bank, except with the prior approval of the RBI. All shareholders Holding more than 5% of the total paid-up capital who intend to participate in the Issue are required to submit details of the source of funds for such acquisition of Equity Shares and obtain "no-objection" certificate from our Bank. In the event already existing shareholder(s) holding more than 5% subscribes to Equity Shares offered in the Issue such that their total shareholding in our Bank goes beyond 10% of the total paid-up capital, prior approval of the RBI shall be obtained by such existing shareholder participating in the Issue. The RBI, when considering whether to grant an approval, may take into account all matters that it considers relevant to the application, including ensuring that shareholders whose aggregate holdings are above specified thresholds meet fit and proper criteria prescribed by RBI.

10. The QIB confirms that:

a. If it is within the United States, it is a U.S. QIB who is, or are acquiring the Equity Shares for its own account or for the account of an institutional investor who also meets the definition of a U.S. QIB, for investment purposes only and not with a view to, or for resale in connection with, the distribution (within the meaning of any United States securities laws) thereof, in whole or in part and are not our affiliate or a person acting on behalf of such an affiliate;

b. If it is outside the United States, it is purchasing the Equity Shares in an offshore transaction in reliance on Regulation S, and is not our affiliate or a person acting on behalf of such an affiliate;

It has read and understood, and by making a Bid for the Equity Shares through the Application Forms and pursuant to the terms of this Placement Document, will be deemed to have made the representations, warranties and agreements made under the sections entitled "*Notice to Investors*", "*Representations by Investors*", "*Selling Restrictions*" and "*Transfer Restrictions and Purchaser Representations*" on pages 2, 5, 180 and 186, respectively.

QIBS MUST PROVIDE THEIR DEPOSITORY ACCOUNT DETAILS, THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE APPLICATION FORM. QIBS MUST ENSURE THAT THE NAME GIVEN IN THE APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. FOR THIS PURPOSE, ELIGIBLE SUB ACCOUNTS OF AN ELIGIBLE FPI WOULD BE CONSIDERED AS AN INDEPENDENT QIB.

IF SO REQUIRED BY THE BRLMs, THE QIB SUBMITTING A BID, ALONG WITH THE APPLICATION FORM, WILL ALSO HAVE TO SUBMIT REQUISITE DOCUMENT(S) TO THE BRLMs TO EVIDENCE THEIR STATUS AS A QIB.

IF SO REQUIRED BY THE BRLMs, THE ESCROW AGENT OR ANY STATUTORY OR REGULATORY AUTHORITY IN THIS REGARD, INCLUDING AFTER ISSUE CLOSURE, THE QIB SUBMITTING A BID AND/OR BEING ALLOTTED EQUITY SHARES IN THE ISSUE, WILL ALSO HAVE TO SUBMIT REQUISITE DOCUMENT(S) TO FULFILL THE KNOW YOUR CUSTOMER (KYC) NORMS.

Demographic details such as address and bank account will be obtained from the Depositories as per the Depository Participant account details given above.

The submission of an Application Form by a QIB shall be deemed a valid, binding and irrevocable offer for the QIB to pay the entire Issue Price for its share of the Allotment (as indicated by the CAN) and becomes a binding contract on the QIB upon issuance of the CAN by us in favour of the QIB.

Submission of Application Form

All Application Forms must be duly completed with information including the name of the QIB, the price and the number of the Equity Shares applied for. The Application Form shall be submitted to the BRLMs either through electronic form or through physical delivery at the following address:

Name of the BRLM	Address	Contact Person	Email	Phone (Telephone and Fax)
Citigroup Global Markets India Private Limited	12th Floor, First International Financial Centre, G Block C54 & 55, Bandra Kurla Complex, Bandra (East), Mumbai 400 098	Natwar Parmar	primary.indiaops@citi.com	Tel: +91 22 6175 9984 Fax: +91 22 6175 9973

Name of the BRLM	Address	Contact Person	Email	Phone (Telephone and Fax)
Deutsche Equities India Private Limited	14th Floor, The Capital, Bandra Kurla Complex, Mumbai 400 051	Viren Jairath	viren.jairath@db.com	Tel: +91 22 7180 4789 Fax: +91 22 7180 4199
IIFL Holdings Limited*	10th Floor, IIFL Centre, Kamala City, Senapati Bapat Marg, Lower Parel (West), Mumbai 400 013	Abhishek Joshi/ Gaurav Singhvi	federalbank.qip@iiflcap.com	Tel: +91 22 4646 4600 Fax: +91 22 2493 1073
Kotak Mahindra Capital Company Limited	27 BKC, 1st Floor, Plot No. C – 27, G Block, Bandra Kurla Complex Bandra (East), Mumbai 400051	Karl Sahukar	federalbank.qip@kotak.com	Tel: +91 22 4336 0000 Fax: +91 22 6713 2447

**IIFL Holdings Limited shall be involved only in marketing of the Issue*

The BRLMs shall not be required to provide any written acknowledgement of the same.

Permanent Account Number or PAN

Each QIB must mention its Permanent Account Number ("PAN") allotted under the IT Act in the Application Form. Applications without this information will be considered incomplete and are liable to be rejected. QIBs should not provide the GIR number instead of the PAN as the Application Form is liable to be rejected on this ground.

Pricing and Allocation

Build up of the book

The QIBs shall submit their Bids (including the revision of bids) for the Equity Shares within the Bid / Issue Period to BRLMs and cannot be withdrawn after the Bid/Issue Closing Date. The book shall be maintained by the BRLMs.

Price discovery, terms and allocation

Our Bank, in consultation with the BRLMs, shall determine the Issue Price which shall be at or above the Floor Price. Our Bank may offer a discount of not more than 5% on the Floor Price in terms of Regulation 85 of the SEBI ICDR Regulations.

After finalisation of the Issue Price, our Bank has updated the Preliminary Placement Document with the Issue details and file the same with the Stock Exchanges as this Placement Document.

Method of Allocation

Our Bank shall determine the Allocation in consultation with the BRLMs on a discretionary basis and in compliance with Chapter VIII of the SEBI ICDR Regulations.

Bids received from the QIBs at or above the Issue Price shall be grouped together to determine the total demand. The Allocation to QIBs will be made at the Issue Price. Allocation to Mutual Funds for up to a minimum of 10% of the Issue Size shall be undertaken subject to valid Bids being received at or above the Issue Price.

THE DECISION OF OUR BANK IN CONSULTATION WITH THE BRLMs IN RESPECT OF ALLOCATION SHALL BE FINAL AND BINDING ON ALL QIBS. QIBS MAY NOTE THAT ALLOCATION OF THE EQUITY SHARES IS AT THE SOLE AND ABSOLUTE DISCRETION OF OUR BANK IN CONSULTATION WITH THE BRLMs AND QIBS MAY NOT RECEIVE ANY ALLOCATION EVEN IF THEY HAVE SUBMITTED VALID APPLICATION FORMS AT OR ABOVE THE ISSUE PRICE. NEITHER OUR BANK NOR THE BRLMs ARE OBLIGED TO ASSIGN ANY REASON FOR ANY SUCH NON-ALLOCATION.

Confirmation of Allotment Notice or CAN

Based on the Application Forms received, our Bank, in consultation with the BRLMs, in their sole and absolute discretion, decide the QIBs to whom the serially numbered CAN shall be sent, pursuant to which the details of the Equity Shares Allocated to them and the details of the amounts payable for Allotment of such Equity Shares by the Pay-in Date in their respective names shall be notified to such QIBs. Additionally, the CAN will include details of the relevant Escrow Account for transfer of funds if done electronically, address where the application money needs to be sent, Pay-in Date as well as the probable designated date, being the date of credit of the Equity Shares to the respective QIB's account, as applicable to the respective QIBs ("**Designated Date**").

The QIBs, who have been allotted Equity Shares, would also be sent a serially numbered Placement Document either in electronic form or by physical delivery along with the serially numbered CAN.

The dispatch of the serially numbered Placement Document and the CAN to the QIBs shall be deemed a valid, binding and irrevocable contract for the QIB to furnish all details that may be required by the BRLMs and to pay the entire Issue Price for all the Equity Shares Allocated to such QIB.

QIBs are advised to instruct their Depository Participant to accept the Equity Shares that may be Allotted to them pursuant to the Issue.

Bank Account for Payment of Application Money

Our Bank has opened the Escrow Account with Federal Bank Limited, acting as the Escrow Agent in terms of the arrangement among our Bank, the BRLMs and the Escrow Agent. The QIB will be required to deposit the entire amount payable for the Equity Shares Allocated to it by the Pay-in Date as mentioned in the respective CAN.

If the payment is not made favouring the Escrow Account within the time stipulated in the CAN, the Application Form and the CAN of the QIB are liable to be cancelled.

In case of cancellations or default by the QIBs, our Bank and the BRLMs have the right to reallocate the Equity Shares at the Issue Price among existing or new QIBs at their sole and absolute discretion.

Payment Instructions

The payment of application money shall be made by the QIBs in the name of the Escrow Account as per the payment instructions provided in the CAN.

Payments are to be made only through electronic fund transfer.

Note: Payments through cheques are liable to be rejected.

Closing Date and Allotment of the Equity Shares

Our Bank will endeavor to complete the Allotment of Equity Shares by the probable Closing Date for those QIBs who have paid subscription money as stipulated in the respective CANs. The Equity Shares will not be Allotted unless the QIBs pay the Issue Price to the Escrow Account as stated above.

The monies lying to the credit of the Escrow Account shall not be released until final listing and trading approvals of the Stock Exchanges for the listing and trading of the Equity Shares issued pursuant to this Issue are received by our Bank.

In accordance with the SEBI ICDR Regulations, the Equity Shares will be issued and Allotment shall be made only in dematerialised form to the Allottees. Allottees will have the option to re-materialise the Equity Shares, if they so desire, as per the provisions of the Companies Act, 2013 and the Depositories Act.

Our Bank, at its sole discretion, reserves the right to cancel the Issue at any time up to Allotment without assigning any reason whatsoever.

Following the Allotment of the Equity Shares, our Bank will apply for final listing and trading approvals from the Stock Exchanges. In the event of any delay in the receipt of listing or trading approvals or cancellation of the Issue, no interest or penalty would be payable by us or the BRLMs.

In the case of QIBs who have been Allotted more than 5% of the Equity Shares in the Issue, our Bank shall disclose the name and the number of the Equity Shares Allotted to such QIB to the Stock Exchanges and the Stock Exchanges will make the same available on their website. Our Bank shall make the requisite filings with the RoC and the SEBI within the stipulated period as required under the Companies Act, 2013 and the Companies (Prospectus and Allotment of Securities) Rules, 2014, as amended. If a QIB is Allotted any Equity Shares, our Bank is required to disclose details such as your name, address and the number of Equity Shares Allotted to the RoC and the SEBI. Additionally, in accordance with Section 12B of the Banking Regulation Act, 1949 read with the Reserve Bank of India (Prior approval for acquisition of shares or voting rights in private sector banks) Directions, 2015, dated November 19, 2015, no person (along with his relatives, associate enterprises or persons acting in concert with) can acquire or hold 5% or more of the total paid-up share capital of our Bank, or be entitled to exercise 5% or more of the total voting rights of our Bank, without prior approval of the RBI. Accordingly, a Bidder's aggregate holding in the paid-up share capital of our Bank, whether beneficial or otherwise: after subscription to the Equity Shares in the Issue by such Bidder, his or her relatives, associate enterprises or persons acting in concert with such Bidder, aggregated with any pre-Issue shareholding in our Bank of such Bidder, his or her relatives, associate enterprises or persons acting in concert; or after subscription to the Equity Shares in the Issue aggregated with any pre-Issue shareholding in our Bank of such Bidder, his or her relatives, associate enterprises or persons acting in concert; shall not amount to 5% or more of the total paid-up share capital of our Bank or would not entitle such Bidder to exercise 5% or more of the total voting rights of our Bank, except with the prior approval of the RBI. In the event already existing shareholder(s) holding more than 5% subscribes to Equity Shares offered in the Issue such that their total shareholding in our Bank goes beyond 10% of the total paid-up capital, prior approval of the RBI shall be obtained by such existing shareholder participating in the Issue. The RBI, when considering whether to grant an approval, may take into account all matters that it considers relevant to the application, including ensuring that shareholders whose aggregate holdings are above specified thresholds meet fit and proper criteria prescribed by RBI.

In the event that our Bank is unable to issue and Allot the Equity Shares offered in this Issue or on cancellation of this Issue, within 60 days from the date of receipt of application money, our Bank shall repay the application money within 15 days from expiry of 60 days, failing which our Bank shall repay that money with interest at the rate of 12% per annum from expiry of the sixtieth day. The application money to be refunded by our Bank shall be refunded to the same bank account from which application money was remitted by the QIBs.

Other Instructions

Right to Reject Applications

Our Bank, in consultation with the BRLMs, may reject Bids, in part or in full, without assigning any reason whatsoever. The decision of our Bank and the BRLMs in relation to the rejection of Bids shall be final and binding.

Equity Shares in Dematerialised form with the Depositories

The Allotment of the Equity Shares shall be only in dematerialised form (i.e., not in physical certificates but represented by the statement issued through the electronic mode).

A QIB applying for the Equity Shares to be issued pursuant to the Issue must have at least one beneficiary account with a Depository Participant of either of the Depositories prior to making the Bid. Allotment to a successful QIB will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the QIB.

Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with the Depositories. The Stock Exchanges have electronic connectivity with the Depositories.

The trading of the Equity Shares would be in dematerialised form only for all QIBs in the respective demat segment of the Stock Exchanges.

Our Bank will not be responsible or liable for the delay in the credit of the Equity Shares to be issued pursuant to the Issue due to errors in the Application Form or otherwise on part of the QIBs.

PLACEMENT

Placement Agreement

The BRLMs have entered into a placement agreement with our Bank (the "**Placement Agreement**"), pursuant to which the BRLMs have agreed to manage the Issue and to act as placement agents in connection with the proposed Issue and procure subscription for Equity Shares to be placed with the QIBs, pursuant to Chapter VIII of the SEBI ICDR Regulations and Section 42 of the Companies Act, 2013.

The Placement Agreement contains customary representations, warranties and indemnities from our Bank and the BRLMs, and it is subject to termination in accordance with the terms contained therein.

This Placement Document has not been, and will not be, registered as a prospectus with the RoC and, no Equity Shares will be offered in India or overseas to the public or any members of the public in India or any other class of investors, other than QIBs. No assurance can be given on liquidity or sustainability of trading market for the Equity Shares (including the Equity Shares) post the Issue.

Applications shall be made to list the Equity Shares issued pursuant to the Issue and admit them to trading on BSE and NSE. No assurance can be given as to the liquidity or sustainability of the trading market for such Equity Shares, the ability of holders of the Equity Shares to sell their Equity Shares or the price at which holders of the Equity Shares will be able to sell their Equity Shares.

In connection with the Issue, the BRLMs (or their affiliates) may, for their own accounts, subscribe to the Equity Shares or enter into asset swaps, credit derivatives or other derivative transactions relating to the Equity Shares to be issued pursuant to the Issue at the same time as the offer and sale of the Equity Shares, or in secondary market transactions. As a result of such transactions, the BRLMs may hold long or short positions in such Equity Shares. These transactions may comprise a substantial portion of the Issue and no specific disclosure will be made of such positions.

The BRLMs and their affiliates may engage in transactions with and perform services for our Bank in the ordinary course of business and have engaged, or may in the future engage, in commercial banking and investment banking transactions with our Bank, for which they have received compensation and may in the future receive compensation.

Lock-up

The Bank will not, for a period commencing from the date hereof and ending 90 days from the date of Allotment, without the prior written consent of the BRLMs, directly or indirectly: (a) issue, offer, lend, sell, pledge, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, any Equity Shares (including, without limitation, securities convertible into or exercisable or exchangeable for Equity Shares) or file any registration statement under the Securities Act, with respect to any of the foregoing; (b) enter into any swap or other agreement or any transaction that transfers, in whole or in part, any of the economic consequences associated with the ownership of any of the Equity Shares (including, without limitation, securities convertible into or exercisable or exchangeable for Equity Shares), regardless of whether any of such transactions are to be settled by the delivery of Equity Shares or such other securities, in cash or otherwise; (c) deposit Equity Shares (including, without limitation, securities convertible into or exercisable or exchangeable for Equity Shares) with any depositary in connection with a depositary receipt facility or enter into any transaction (including a transaction involving derivatives) having an economic effect similar to that of a sale or deposit of Equity Shares or such other securities in any depositary receipt facility; or (d) publicly announce any intention to enter into any transaction falling within (a) to (c) above; provided that the foregoing restrictions do not apply to any sale, transfer or disposition of Equity Shares (including, without limitation, securities convertible into or exercisable or exchangeable for Equity Shares) pursuant to (A) the Issue; (B) issue of Equity Shares or other securities pursuant to any scheme of amalgamation or arrangement or otherwise in connection with any merger or acquisition of securities, business, property or other assets, joint ventures or other strategic corporate transaction, subject to receipt of prior intimation by each Book Running Lead Manager; or (C) issue of Equity Shares pursuant to the ESOP – 2010.

SELLING RESTRICTIONS

The distribution of this Placement Document or any Offer material and the offering, sale or delivery of the Equity Shares is restricted by law in certain jurisdictions. Therefore, persons who may come into possession of this Placement Document or any offering material are advised to consult with their own legal advisors as to what restrictions may be applicable to them and to observe such restrictions. This Placement Document may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorized. No action has been taken or will be taken that would permit a public offering of the Equity Shares to occur in any jurisdiction other than India, or the possession, circulation or distribution of this Placement Document or any other material relating to our Bank or the Equity Shares in any jurisdiction where action for such purpose is required. Accordingly, the Equity Shares may not be offered or sold, directly or indirectly, and neither this Placement Document nor any offering materials or advertisements in connection with the Equity Shares may be distributed or published in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction.

Australia

The offer of Equity Shares in the Bank is only made in circumstances under which no disclosure is required under Chapter 6D of the Corporations Act 2001 (Cth) ("**Corporations Act**"). Nothing in this Placement Document is, or purports to be, an offer to a person to whom disclosure would be required under Chapter 6D of the Corporations Act.

If the Equity Shares in the Bank are to be on-sold to investors in Australia within 12 months of the issue of the shares in the Bank, they may only be on-sold to investors in Australia in circumstances where disclosure is not required under Chapter 6D of the Corporations Act.

This Placement Document is not a disclosure document for the purposes of the Corporations Act. This Offer Document has not been and will not be lodged with the Australian Securities and Investments Commission ("**ASIC**") and does not contain all the information that a disclosure document is required to contain. The distribution of this Placement Document in Australia has not been authorised by ASIC or any other regulatory authority in Australia.

This Placement Document is provided for general information purposes only and is not intended to constitute, and does not constitute, the provision of any financial product advice or recommendation and must not be relied upon as such. This Placement Document is not intended to influence a person in making a decision in relation to a particular financial product or class of financial products, or an interest in a particular financial product or class of financial products.

This Placement Document has been prepared without taking account of your objectives, financial situation or needs and you should obtain independent professional financial advice that considers your circumstances before making any financial or investment decisions.

There is no cooling-off regime that applies in relation to the acquisition of any Equity Shares in the Bank in Australia.

Bahrain

This Placement Document has been prepared for private information purposes of intended investors only. This Placement Document is intended to be read by the addressee only. No invitation has been made in or from the Kingdom of Bahrain and there will be no marketing or offering of the Rights Entitlements or the Equity Shares to any potential investor in Bahrain. All marketing and offering is made and will be made outside of the Kingdom of Bahrain. The Central Bank of Bahrain or any other regulatory authority in Bahrain has not reviewed, nor has it approved, this offering document or the marketing of the Equity Shares and takes no responsibility for the accuracy of the statements and information contained in this Placement Document, nor shall it have any liability to any person for any loss or damage resulting from reliance on any statements or information contained herein.

Canada

The Equity Shares may only be offered or sold, directly or indirectly, in the provinces of Alberta, British Columbia, Ontario and Quebec (the "**Private Placement Provinces**") or to residents thereof and not in, or to the residents of, any other province or territory of Canada. Such offers or sales will be made pursuant to an exemption from the requirement to file a prospectus with the regulatory authorities in the Private Placement Provinces and will be made only by a dealer duly registered under the applicable securities laws of such provinces, as the case may be, or in accordance with an exemption from the applicable registered dealer requirements.

Cayman Islands

This Placement Document does not constitute an invitation or offer to the public in the Cayman Islands of the Equity Shares, whether by way of sale or subscription. The Equity Shares are not offered or sold, and will not be offered or sold, directly or indirectly, to the public in the Cayman Islands.

Dubai International Financial Centre

This Placement Document relates to an "exempt offer" in accordance with the Dubai Financial Services Authority ("**DFSA**") Rulebook Markets Module, and which is not subject to any form of regulation or approval by the DFSA.

The DFSA has no responsibility for reviewing or verifying this Placement Document or any other documents in connection with this offer. Accordingly, the DFSA has not approved this Placement Document or any other associated documents nor taken any steps to verify the information set out in this Placement Document, and has no responsibility for it. The shares to which this Placement Document relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers should conduct their own due diligence on the shares.

If you do not understand the contents of this document you should consult an authorised financial adviser.

This Placement Document may only be provided to Professional Clients as defined in the DFSA Rulebook Conduct of Business Module ("**COB Module**"). This offer is not directed at Retail Clients as defined in the COB Module.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), an offer to the public of any Equity Shares may not be made in that Relevant Member State except that an offer to the public in that Relevant Member State of any Equity Shares may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

(a) to legal entities which are qualified investors as defined under the Prospectus Directive;

(b) to fewer than 100, or, if the Relevant Member State has implemented the relevant provisions of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the BRLMs for any such offer; or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Equity Shares shall result in a requirement for our Bank or the BRLMs to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer to the public" in relation to any Equity Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any Equity Shares to be offered so as to enable an investor to decide to purchase any Equity Shares, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression "**Prospectus Directive**" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in each Relevant Member State and the expression "**2010 PD Amending Directive**" means Directive 2010/73/EU.

Hong Kong

This Placement Document has not been delivered for registration to the Registrar of Companies in Hong Kong and its contents have not been reviewed by any regulatory authority in Hong Kong. Accordingly: (i) the Equity Shares have not been and will not be offered or sold in Hong Kong, by means of any document, other than to persons who are "professional investors" within the meaning of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) of Hong Kong and any rules made thereunder, or in other circumstances which do not result in the document being a "prospectus" within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) of Hong Kong or which do not constitute an offer to the public within the meaning hereof; and (ii) no invitation, advertisement or other document relating to the Equity Shares has been or may be issued or has been or may be in the possession of any person for the purposes of issue, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Equity Shares which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) of Hong Kong and any rules made thereunder.

WARNING: The contents of this Placement Document have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the Offer. If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.

Japan

The Equity Shares have not been and will not be registered under the Financial Instrument and Exchange Law of Japan (the "**FIEL**"). The Equity Shares have not been offered or sold and will not be offered or sold in Japan or to, or for the benefit of, any resident of Japan (which term shall mean any person resident in Japan or any corporation or other entity organized under the laws of Japan), or to others for reoffering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEL and other applicable laws, regulations and governmental guidelines in Japan.

Jordan

The Equity Shares are being offered in Jordan on a cross border basis based on one-on-one contacts to no more than thirty potential investors and accordingly the Equity Shares will not be registered with the Jordanian Securities Commission and a local prospectus is not required.

Kuwait

This Placement Document is not for general circulation to the public in Kuwait. The Equity Shares have not been licensed for offering in Kuwait by the Kuwait Capital Markets Authority or any other relevant Kuwaiti government agency. The offering of the Equity Shares in Kuwait on the basis a private placement or public offering is, therefore, restricted in accordance with Law No. 7 of 2010 and the bylaws thereto (as amended). No private or public offering of the Equity Shares is being made in Kuwait, and no agreement relating to the sale of the Equity Shares will be concluded in Kuwait. No marketing or solicitation or inducement activities are being used to offer or market the Equity Shares in Kuwait.

Mauritius

The Equity Shares are not being offered to the public in Mauritius and nothing in the Placement Document or any information contained herein may be treated as a prospectus for the purposes of the Securities Act 2005 of Mauritius. The Mauritius Financial Services Commission (FSC) has neither reviewed nor approved the Placement Document and the Bank does not hold any licence issued by the FSC. Accordingly, the Placement Document has not been registered with the FSC. Equity Shares are being offered by way of private placement only to the person to whom such offer has been made.

Only persons licensed by the FSC as, investment dealers, investment advisers or investment bankers conducting activities as an investment dealer or investment adviser may market and carry out any form of solicitation in Mauritius in respect to the offer, distribution or sale of the Equity Shares. Where solicitation does not exist, a licensee as distributors of financial products may distribute the Equity Shares. The Equity Shares may not be offered, distributed or sold, directly or indirectly, in Mauritius, except as permitted by applicable Mauritius law, including but not limited to Securities Act 2005 of Mauritius.

The Bank has not been authorized (or recognized) and does not intend to seek authorization (or recognition) with the FSC, and the FSC expresses no opinion as to the matters contained in the Placement Document and as to the merits of an investment in the Bank. There is no statutory compensation scheme in Mauritius in the event of the Bank's failure.

New Zealand

This Placement Document is not a prospectus. It has not been prepared or registered in accordance with the Securities Act 1978 of New Zealand (the “**New Zealand Securities Act**”). This Placement Document is being distributed in New Zealand only to persons whose principal business is the investment of money or who, in the course of and for the purposes of their business, habitually invest money, within the meaning of section 3(2)(a)(ii) of the New Zealand Securities Act (“**Habitual Investors**”). By accepting this Placement Document, each investor represents and warrants that if they receive this Placement Document in New Zealand they are a Habitual Investor and you will not disclose this Placement Document to any person who is not also a Habitual Investor.

Oman

By receiving this Placement Document, the person or entity to whom it has been issued understands, acknowledges and agrees that this Placement Document has not been approved by the Capital Market Authority of Oman (the "**CMA**") or any other regulatory body or authority in the Sultanate of Oman (“**Oman**”), nor have the BRLMs or any placement agent acting on their behalf received authorisation, licensing or approval from the CMA or any other regulatory authority in Oman, to market, offer, sell, or distribute interests in the Equity Shares within Oman.

No marketing, offering, selling or distribution of any interests in the Equity Shares has been or will be made from within Oman and no subscription for any interests in the Equity Shares may or will be consummated within Oman. Neither the BRLMs nor any placement agent acting on their behalf is a company licensed by the CMA to provide investment advisory, brokerage, or portfolio management services in Oman, nor a bank licensed by the Central Bank of Oman to provide investment banking services in

Oman. Neither the BRLM nor any placement agent acting on their behalf advise persons or entities resident or based in Oman as to the appropriateness of investing in or purchasing or selling securities or other financial products.

Nothing contained in this Placement Document is intended to constitute Omani investment, legal, tax, accounting or other professional advice. This Placement Document is for your information only, and nothing herein is intended to endorse or recommend a particular course of action. You should consult with an appropriate professional for specific advice on the basis of your situation.

State of Qatar (including the Qatar Financial Centre)

This Placement Document is not intended to constitute an offer, sale or delivery of bonds or other debt financing instruments under the laws of the State of Qatar (including the Qatar Financial Centre) ("**Qatar**"). The Equity Shares have not been and will not be registered with the Qatar Stock Exchange, the Qatar Financial Markets Authority, the Qatar Financial Centre, the Qatar Central Bank or with any other authority pursuant to any laws, regulations and rules in Qatar.

The Equity Shares have not been offered, sold or delivered and will not be offered, sold or delivered, directly or indirectly, in Qatar, except: (a) in compliance with all applicable laws and regulations of Qatar; and (b) through persons or corporate entities authorised and licensed to provide investment advice and/or engage in brokerage activity and/or trade in respect of foreign debt financing instruments in Qatar.

Republic of Korea

The Equity Shares have not been and will not be registered under the Financial Investment Business and Capital Markets Act of Korea and none of the Equity Shares may be offered or sold, directly or indirectly, in Korea or to any resident of Korea or to any persons for reoffering or resale, directly or indirectly, in Korea or to any resident of Korea (as defined under the Foreign Exchange Transaction Act of Korea and its Enforcement Decree) except pursuant to an exemption from the registration requirements of the Financial Investment Business and Capital Markets Act of Korea available thereunder and/or in compliance with applicable laws and regulations of Korea.

Saudi Arabia

No action has been or will be taken in the Kingdom of Saudi Arabia that would permit a public offering of the Equity Shares. Any investor in the Kingdom of Saudi Arabia or who is a Saudi person (a "**Saudi Investor**") who acquires any Equity Shares pursuant to an offering should note that the offer of Equity Shares is a private placement under Article 10 or Article 11 of the "**Offers of Securities Regulations**" as issued by the Board of the Capital Market Authority resolution number 2-11-2004 dated October 4, 2004 and amended by the Board of the Capital Market Authority resolution number 1-28-2008 dated August 18, 2008 (the "**KSA Regulations**"), through a person authorized by the Capital Market Authority ("**CMA**") to carry on the securities activity of arranging and following a notification to the CMA under the KSA Regulations.

The Equity Shares may thus not be advertised, offered or sold to any person in the Kingdom of Saudi Arabia other than to "sophisticated investors" under Article 10 of the KSA Regulations or by way of a limited offer under Article 11 of the KSA Regulations. The International Selling Agents or the Joint Domestic Lead Managing Underwriters represents and agrees, that any offer of Equity Shares to a Saudi Investor will be made in compliance with the KSA Regulations.

Investors are informed that Article 17 of the KSA Regulations places restrictions on secondary market activity with respect to the Equity Shares, including as follows:

(i) a Saudi Investor (referred to as a "**transferor**") who has acquired Equity Shares pursuant to a private placement may not offer or sell Equity Shares to any person (referred to as a "**transferee**") unless the offer or sale is made through an authorized person where one of the following requirements is met:

  (a) the price to be paid for the Equity Shares in any one transaction is equal to or exceeds Saudi Riyals one million or an equivalent amount;

  (b) the Equity Shares are offered or sold to a sophisticated investor; or

  (c) the Equity Shares are being offered or sold in such other circumstances as the CMA may prescribe for these purposes;

(ii) if the requirement of paragraph (i)(a) above cannot be fulfilled because the price of the Equity Shares being offered or sold to the transferee has declined since the date of the original private placement, the transferor may offer or sell the Equity Shares to the transferee if their purchase price during the period of the original private placement was equal to or exceeded Saudi Riyals 1 million or an equivalent amount;

(iii) if the requirement in paragraph (ii) above cannot be fulfilled, the transferor may offer or sell Equity Shares if he/she sells his entire holding of Equity Shares to one transferee; and

(iv) the provisions of paragraphs (i), (ii) and (iii) above shall apply to all subsequent transferees of the Equity Shares.

Singapore

This Placement Document has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Offering Memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Equity Shares may not be circulated or distributed, nor may the Equity Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289 of Singapore) (the "**SFA**")) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Equity Shares are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Equity Shares pursuant to an offer made under Section 275 of the SFA except:

(1) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(2) where no consideration is or will be given for the transfer;

(3) where the transfer is by operation of law;

(4) as specified in Section 276(7) of the SFA; or

(5) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

South Africa

In the Republic South Africa ("South Africa"), the invitations for subscription of Equity Shares to be issued pursuant to this Issue shall only be made pursuant to this Placement Document together with the Application Form and will only be made by way of private placement to, and be capable of acceptance only by, persons falling within one of the specified categories set out in section 96(1)(a) or (b) of the South African Companies Act 71 of 2008 (as amended or re-enacted) (the "South African Companies Act") and to whom the Issue will be specifically addressed (the "South African Qualifying Investors") and this Placement Document is only being made available to and capable of acceptance by such South African Qualifying Investors. The Issue does not constitute an offer for the sale of or subscription for, or the solicitation of an offer to buy and/or to subscribe for, Equity Shares to the public as defined in the South African Companies Act and will not be distributed to any person in South Africa in any manner which could be construed as an offer to the public in terms of the Companies Act.

Should any person who is not a South African Qualifying Investors receive this Placement Document, they should not and will not be entitled to acquire any Equity Shares or otherwise act thereon. This Placement Document does not, nor is it intended to, constitute a prospectus prepared and registered under the South African Companies Act. Accordingly, this Placement Document does not comply with the substance and form requirements for prospectuses set out in the South African Companies Act and the South African Companies Act Regulations of 2011 and has not been approved by, and/or registered with, the South African Companies and Intellectual Property Commission, or any other South African authority.

The information contained in this Placement Document constitutes factual information as contemplated in section 1(3)(a) of the South African Financial Advisory and Intermediary Services Act, No. 37 of 2002 (as amended or re-enacted) and should not be construed as an express or implied recommendation, guidance or proposal that any particular transaction in respect of the Equity Shares is appropriate to the particular investment objectives, financial situations or needs of a prospective investor, and nothing in this Placement Document should be construed as constituting the canvassing for, or marketing or advertising of, financial services in South Africa.

Switzerland

The Equity Shares may not be publicly offered in Switzerland. The Placement Document has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under the listing rules of the SIX Swiss Exchange or of any other stock exchange or regulated trading facility in Switzerland. Neither the Placement Document nor any other offering or marketing material relating to the Equity Shares or the offering may be publicly distributed or otherwise made publicly available in Switzerland. Neither the Placement Document nor any other offering or marketing material relating to the offering, the Issuer or the Equity Shares have been or will be filed with or approved by any Swiss regulatory authority.

United Arab Emirates (outside the Dubai International Financial Centre)

In the United Arab Emirates (the "**UAE**") (outside of the financial free zones established pursuant to UAE Federal Law No. 8 of 2004 (the "**Financial Free Zones**")), the Interests are not subject to regulation under the laws or regulations of the UAE relating to the issue, offering and sale of shares. Neither the securities nor this Placement Document have been approved by the Securities and Commodities Authority of the UAE (the "**SCA**"), the Central Bank of the UAE or any other regulatory authority in the UAE (outside of the Financial Free Zones). In particular, this Placement Document has not been approved pursuant to Board Resolution No. 11 of 2016 on the Regulation of the Offering and Issuance of Stocks of Public Joint Stock Companies issued by the SCA (as amended) (the "**Offer of Securities Regulation**"). In addition, this Placement Document does not constitute or contain an offer of shares to the general public in the UAE and the shares will not be registered under UAE Federal Law No. 4 of 2000 concerning the SCA and will not be admitted to trading on a securities exchange in the UAE (outside of the Financial Free Zones). Accordingly, this Placement Document is not intended for circulation or distribution in or into the UAE (outside of the Financial Free Zones), other than to persons in the UAE to whom such circulation or distribution is permitted by, or is exempt from the requirements of, the Offer of Securities Regulation, the SCA's Board of Directors Decision No. 3 of 2017 Concerning the Organization of Promotion and Introduction, and other applicable UAE laws and regulations.

It should not be assumed that the placement agent, if any, is a licensed broker, dealer or investment advisor under the laws applicable in the United Arab Emirates and the SCA regulations, or that it advises individuals resident in the United Arab Emirates as to the appropriateness of investing in or purchasing or selling the securities or other financial products. Nothing contained in this Placement Document is intended to constitute investment, legal, tax, accounting or other professional advice. This Placement Document is for your information only and nothing in this Placement Document is intended to endorse or recommend a particular course of action. Any person considering acquiring the shares should consult with an appropriate professional for specific advice rendered based on their personal situation.

United Kingdom

In the United Kingdom, this Placement Document is only addressed to and directed to Qualified Investors who are (i) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**FP Order**"), (ii) high net worth companies and other persons falling within Article 49(2)(a) to (d) of the FP Order or (iii) other persons who fall within an exemption in the FP Order can lawfully be communicated. The persons specified in (i), (ii) and (iii) above are collectively referred to as "**Relevant Persons**". The securities described herein are only available in the United Kingdom to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such securities in the United Kingdom will be engaged in only with, Relevant Persons. Any person in the United Kingdom who is not a Relevant Person should not act or rely on this Prospectus or any of its contents.

United States

The Equity Shares have not been and will not be registered under the United States Securities Act of 1933, as amended and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Accordingly, the Equity Shares are being offered and sold (a) in the United States only to persons who are qualified institutional buyers (as defined in Rule 144A under the Securities Act and referred to in this Placement Document as “U.S. QIBs”), and (b) outside the United States only in an “offshore transaction” in reliance on Regulation S.

TRANSFER RESTRICTIONS AND PURCHASER REPRESENTATIONS

Bidders are advised to consult with legal counsel prior to purchasing any Equity Shares or making any resale, pledge or transfer of such Equity Shares.

The Equity Shares Allotted in the Issue are not permitted to be sold for a period of one year from the date of Allotment, except on the Stock Exchanges. Due to the following restrictions, investors are advised to consult legal counsel prior to making any resale, pledge or transfer of the Equity Shares, except if the resale of the Equity Shares is by way of a regular sale on the Stock Exchanges.

The Equity Shares have not been and will not be registered under the U.S. Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and the applicable securities laws of all states and other jurisdictions of the United States.

Each purchaser of the Equity Shares in the United States is deemed to have represented, agreed and acknowledged as follows:

1. You confirm that:

   a. you are a "qualified institutional buyer" (as defined in Rule 144A under the U.S. Securities Act);

   b. you are not a broker-dealer which owns and invests on a discretionary basis less than US$25 million in securities of unaffiliated companies;

   c. you were not formed for the purpose of investing in our Bank; and

   d. you are not an affiliate of our Bank or a person acting on behalf of an affiliate of our Bank.

2. You are an institution that, in the normal course of business, invests in or purchases securities similar to the Equity Shares, you are not purchasing the Equity Shares with a view to distribution, and you, and any accounts for which you are acting, (a) are a sophisticated investor that has sufficient knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of its investment in the Equity Shares and (b) are able to bear the economic risk, and sustain a complete loss, of such investment in the Equity Shares. If you are acquiring the Equity Shares as a fiduciary or agent for one or more investor accounts,

   a. each such account is a "qualified institutional buyer" (as defined in Rule 144A under the U.S. Securities Act);

   b. you have sole investment discretion with respect to each account; and

   c. you have full power and authority to make, and do make, the representations, warranties, agreements, undertakings and acknowledgements contained herein on behalf of each such account.

3. You will base your investment decision on a copy of this Placement Document, as amended or supplemented from time to time. You acknowledge that neither our Bank nor any of its affiliates nor any other person (including the BRLMs) or any of their respective affiliates have made or will make any representations, express or implied, to you with respect to our Bank, the Issue, the Equity Shares or the accuracy, completeness or adequacy of any financial or other information concerning our Bank, the Issue or the Equity Shares, other than (in the case of our Bank and its affiliates only) the information contained in this Placement Document. You acknowledge that you have not relied on and will not rely on any investigation by, or on any information contained in any research reports prepared by, the BRLMs or any of their respective affiliates.

4. You understand that our Bank, for U.S. federal income tax purposes, may be considered a "passive foreign investment company" for the current taxable year and that there will be certain consequences under U.S. tax laws resulting from an investment in the Equity Shares, and you will make such investigation and consult such tax and other advisors with respect thereto as you deem appropriate. You will satisfy yourself concerning, without limitation, the effects of U.S. federal, state and local income tax laws and foreign tax laws on your investment in the Equity Shares.

5. Any Equity Shares you acquire will be for your own account (or for the account of an investor who is a "qualified institutional buyer" as to which you exercise sole investment discretion and have authority to make, and do make, the statements contained in this document) for investment purposes, and not with a view to the resale or distribution within the meaning of the U.S. federal securities laws, subject to the understanding that the disposition of its property shall at all times be and remain within its control.

6. You understand that the Equity Shares are being offered in a transaction not involving any public offering in the United States within the meaning of the U.S. Securities Act, that the Equity Shares have not been and will not be registered under the U.S. Securities Act or under the securities laws of any state or other jurisdiction of the United States.

7. You acknowledge and agree that you are not purchasing the Equity Shares as a result of any general solicitation or general advertising (as defined in Regulation D) or directed selling efforts (as defined in Regulation S).

8. You understand that the Equity Shares will be "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act, and you agree that such securities may not be deposited into any unrestricted depository facility established or maintained by any depository bank.

9. You agree, on your own behalf and on behalf of any accounts for which you are acting, that you will not reoffer, resell, pledge or otherwise transfer the Equity Shares, except in an offshore transaction on a recognized Indian stock exchange in compliance with Regulation S, or pursuant to an applicable exemption from the registration requirements of the U.S. Securities Act.

10. You agree that, prior to any sale of the Equity Shares, you shall notify the purchaser of such Equity Shares or the executing broker, as applicable, (a) of any transfer restrictions that are applicable to the Equity Shares being sold, and (b) that the Equity Shares have not been and will not be registered under the U.S. Securities Act.

11. You acknowledge that neither our Bank nor any of its affiliates nor any other person (including the BRLMs) or any of their respective affiliates have made or will make any representations as to the availability of the exemption provided by Rule 144 and Rule 144A for the resale of the Equity Shares, nor the availability of any other exemptions from the registration requirements of the U.S. Securities Act for the resale of the Equity Shares.

12. You understand and acknowledge that our Bank shall have no obligation to recognize any offer, sale, pledge or other transfer made other than in compliance with the restrictions on transfer set forth and described herein and that our Bank may make notation on its records or give instructions to any transfer agent of the Equity Shares.

13. You understand that the foregoing representations, warranties, agreements, undertakings and acknowledgements are required in connection with United States and other securities laws and that our Bank and its respective affiliates, and others are entitled to rely upon the truth and accuracy of the representations, warranties, agreements, undertakings or acknowledgements contained herein. You agree that if any of the representations, warranties, agreements, undertakings and acknowledgements made herein are no longer accurate, you shall promptly notify our Bank and the BRLMs in writing. All representations, warranties, agreements, undertakings and acknowledgements you have made in this document shall survive the execution and delivery hereof.

Each other purchaser of the Equity Shares is deemed to have represented, agreed and acknowledged as follows:

1. You are outside the United States and are purchasing the Equity Shares in an "offshore transaction" as defined in Regulation S.

2. You are not an affiliate of our Bank or a person acting on behalf of an affiliate of our Bank.

3. You are not purchasing the Equity Shares as a result of any directed selling efforts (as defined in Regulation S), or any general solicitation or general advertising (as defined in Regulation D).

4. You will base your investment decision on a copy of this Placement Document. You acknowledge that neither our Bank nor any of its affiliates nor any other person (including the BRLMs) or any of their respective affiliates have made or will make any representations, express or implied, to you with respect to our Bank, the Issue, the Equity Shares or the accuracy, completeness or adequacy of any financial or other information concerning our Bank, the Issue or the Equity Shares, other than (in the case of our Bank and its affiliates only) the information contained in this Placement Document. You acknowledge that you have not relied on and will not rely on any investigation by, or on any information contained in any research reports prepared by, the BRLMs or any of their respective affiliates.

5. You understand that our Bank, for U.S. federal income tax purposes, may be considered a "passive foreign investment company" for the current taxable year and that there will be certain consequences under U.S. tax laws resulting from an investment in the Equity Shares, and you will make such investigation and consult such tax and other advisors with respect thereto as you deem appropriate. You will satisfy yourself concerning, without limitation, the effects of U.S. federal, state and local income tax laws and foreign tax laws on your investment in the Equity Shares.

6. You acknowledge (or if acting for the account of another person, such person has confirmed that they acknowledge) that the Equity Shares have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States.

7. You agree, on your own behalf and on behalf of any accounts for which you are acting, that you will not reoffer, resell, pledge or otherwise transfer the Equity Shares, except in an offshore transaction on a recognized Indian stock exchange in compliance with Regulation S.

8. None of you, any of your affiliates nor any person acting on behalf of you or any of your affiliates, has made or shall make any directed selling efforts (as defined in Regulation S), or any general solicitation or general advertising (as defined in Regulation D), with respect to the Equity Shares.

9. You agree that, prior to any sale of the Equity Shares, you shall notify the purchaser of such Equity Shares or the executing broker, as applicable, (a) of any transfer restrictions that are applicable to the Equity Shares being sold, and (b) that the Equity Shares have not been and will not be registered under the U.S. Securities Act.

10. You understand and acknowledge that our Bank shall have no obligation to recognize any offer, sale, pledge or other transfer made other than in compliance with the restrictions on transfer set forth and described herein and that our Bank may make notation on its records or give instructions to any transfer agent of the Equity Shares.

11. You understand that the foregoing representations, warranties, agreements, undertakings and acknowledgements are required in connection with United States and other securities laws and that our Bank, the BRLMs and their respective affiliates, and others are entitled to rely upon the truth and accuracy of the representations, warranties, agreements, undertakings or acknowledgements contained herein. You agree that if any of the representations, warranties, agreements, undertakings and acknowledgements made herein are no longer accurate, you shall promptly notify our Bank and the BRLMs in writing. All representations, warranties, agreements, undertakings and acknowledgements you have made in this document shall survive the execution and delivery hereof.

THE SECURITIES MARKET OF INDIA

The information in this section has been extracted from documents available on the website of SEBI and the Stock Exchanges and has not been prepared or independently verified by our Bank or the BRLMs or any of their respective affiliates or advisors.

The Indian Securities Market

India has a long history of organized securities trading. In 1875, the first stock exchange was established in Mumbai.

Stock Exchange Regulation

Indian stock exchanges are regulated primarily by SEBI, as well as by the Government acting through the Ministry of Finance, Capital Markets Division, under the SCRA and the SCRR. SEBI, in exercise of its powers under the SCRA and the SEBI Act, notified the SCR (SECC) Regulations on June 20, 2012, which regulate *inter alia* the recognition, ownership and internal governance of stock exchanges and clearing corporations in India together with providing for minimum capitalisation requirements for stock exchanges. The SCRA, the SCRR and the SCR (SECC) Regulations along with various rules, bye-laws and regulations of the respective stock exchanges, regulate the recognition of stock exchanges, the qualifications for membership thereof and the manner, in which contracts are entered into, settled and enforced between members of the stock exchanges.

The SEBI Act empowers SEBI to regulate the Indian securities markets, including stock exchanges and intermediaries in the capital markets, promote and monitor self-regulatory organisations and prohibit fraudulent and unfair trade practices. Regulations concerning minimum disclosure requirements by public companies, rules and regulations concerning investor protection, insider trading, substantial acquisitions of shares and takeover of companies, buy-backs of securities, employee stock option schemes, stockbrokers, merchant bankers, underwriters, mutual funds, foreign institutional investors, credit rating agencies and other capital market participants have been notified by the relevant regulatory authority.

Listing and Delisting of Securities

The listing of securities on a recognised Indian stock exchange is regulated by applicable Indian law including the Companies Act, the SCRA, the SCRR, the SEBI Act and various guidelines and regulations issued by the SEBI, the listing agreements entered into by our Bank with the Stock Exchanges and the SEBI Listing Regulations. The SCRA empowers the governing body of each recognised stock exchange to suspend trading of or withdraw admission to dealings in a listed security for breach of or non compliance with any conditions or breach of company's obligations under the Listing Regulations or for any reason, subject to the issuer receiving prior written notice of the intent of the exchange and upon granting of a hearing in the matter. SEBI also has the power to amend the bye-laws of the stock exchanges in India, to overrule a stock exchange's governing body and withdraw recognition of a recognised stock exchange.

SEBI has notified the Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 in relation to the voluntary and compulsory delisting of equity shares from the stock exchanges. In addition, certain amendments to the SCRR have also been notified in relation to delisting.

Minimum Level of Public Shareholding

Pursuant to an amendment of the SCRR in June 2010, all listed companies (except public sector undertakings) were required to maintain a minimum public shareholding of 25%. However, pursuant to a subsequent amendment to the SCRR, a public company, including public sector undertakings, seeking to get a particular class or kind of securities listed shall offer and allot to the public (i) at least 25% of such class or kind of securities issued by the company, if the post issue capital is less than or equal to ₹1,600,00,00,000, (ii) at least such percentage of such class or kind of securities issued by the company equivalent to ₹4,00,00,00,000, if the post issue capital of the company is more than ₹16,000,000,000 but less than or equal to ₹40,00,00,00,000 or (iii) at least 10% of such class or kind of securities issued by the company, if the post issue capital of the company is above ₹40,00,00,00,000. In case of (ii) and (iii) above, the public shareholding is required to be increased to 25% within a period of three years from the date of listing of the securities. In this regard, SEBI has provided several mechanisms to comply with this requirement. Where the public shareholding in a listed company falls below 25% at any time, such company shall bring the public shareholding to 25% within a maximum period of 12 months from the date of such the public shareholding having fallen below the 25% threshold.

Index-Based Market-Wide Circuit Breaker System

In order to restrict abnormal price volatility in any particular stock, SEBI has instructed stock exchanges to apply daily circuit breakers which do not allow transactions beyond a certain level of price volatility. The index-based market-wide circuit breaker system (equity and equity derivatives) applies at three stages of the index movement, at 10%, 15% and 20%. These circuit breakers, when triggered, bring about a co-ordinated trading halt in all equity and equity derivative markets nationwide. The market-wide circuit breakers are triggered by movement of either the SENSEX of BSE or the CNX NIFTY of NSE, whichever is breached earlier.

In addition to the market-wide index-based circuit breakers, there are currently in place individual scrip-wise price bands of 20% movements either up or down. However, no price bands are applicable on scrips on which derivative products are available or scrips included in indices on which derivative products are available.

The stock exchanges in India can also exercise the power to suspend trading during periods of market volatility. Margin requirements are imposed by stock exchanges that are required to be paid by the stockbrokers.

BSE

Established in 1875, it is the oldest stock exchange in India. The BSE became the first stock exchange in India to obtain permanent recognition from the Government under the SCRA. It has evolved over the years into its present status as one of the premier stock exchanges of India.

NSE

NSE was established by financial institutions and banks to provide nationwide online, satellite-linked, screen-based trading facilities with market-makers and electronic clearing and settlement for securities including government securities, debentures, public sector bonds and units. It has evolved over the years into its present status as one of the premier stock exchanges of India. NSE was recognised as a stock exchange under the SCRA in April 1993 and commenced operations in the wholesale debt market segment in June 1994. The capital market (equities) segment commenced operations in November 1994 and operations in the derivatives segment commenced in June 2000.

Internet-based Securities Trading and Services

Internet trading takes place through order routing systems, which route client orders to exchange trading systems for execution. Stockbrokers interested in providing this service are required to apply for permission to the relevant stock exchange and also have to comply with certain minimum conditions stipulated by SEBI. NSE became the first exchange to grant approval to its members for providing internet-based trading services. Internet trading is possible on both the "equities" as well as the "derivatives" segments of NSE.

Trading Hours

Trading on both NSE and BSE occurs from Monday to Friday, between 9:15 a.m. and 3:30 p.m. IST (excluding the 15 minutes pre-open session from 9:00 a.m. to 9:15 a.m.). BSE and NSE are closed on public holidays. The recognised stock exchanges have been permitted to set their own trading hours (in the cash and derivatives segments) subject to the condition that (i) the trading hours are between 9:00 a.m. and 5:00 p.m.; and (ii) the stock exchange has in place a risk management system and infrastructure commensurate to the trading hours.

Trading Procedure

In order to facilitate smooth transactions, BSE replaced its open outcry system with BSE On-line Trading facility in 1995. This totally automated screen based trading in securities was put into practice nation-wide. This has enhanced transparency in dealings and has assisted considerably in smoothening settlement cycles and improving efficiency in back-office work.

NSE has introduced a fully automated trading system called National Exchange for Automated Trading ("**NEAT**"), which operates on strict time/price priority besides enabling efficient trade. NEAT has provided depth in the market by enabling large number of members all over India to trade simultaneously, narrowing the spreads.

Takeover Regulations

Disclosure and mandatory bid obligations for listed Indian companies are governed by the Takeover Regulations which provide specific regulations in relation to substantial acquisition of shares and takeover. Since we are an Indian listed company, the provisions of the Takeover Regulations apply to us.

Insider Trading Regulations

The Insider Trading Regulations have been notified to prohibit and penalise insider trading in India.

An insider is, *inter alia*, prohibited from trading in securities of a listed or proposed to be listed company when in possession of unpublished price sensitive information ("**UPSI**") and to provide access to any person including other insiders to the above referred UPSI except where such communication is for legitimate purposes, performance of duties or discharge of legal obligations. UPSI shall include any information, relating to a company or its securities, directly or indirectly, that is not generally available which upon becoming generally available, is likely to materially affect the price of the securities.

The Insider Trading Regulations also provide disclosure obligations for promoters, directors, senior management personnel and employees, with respect to their shareholding in a company, and the changes therein. The definition of "insider" means any person who is a connected person or is in possession of or having access to unpublished price sensitive information. The terms "connected person" means any person who is or has during the six months prior to the concerned act been associated with a company, directly or indirectly, in any capacity including by reason of frequent communication with its officers or by being in any contractual, fiduciary or employment relationship or by being a director, officer or an employee of the company or holds any position including a professional or business relationship between himself and the company whether temporary or permanent, that allows such person, directly or indirectly, access to unpublished price sensitive information or is reasonably expected to allow such access.

The board of directors of all listed companies are required to formulate and publish on the company's website a code of procedure for fair disclosure of UPSI along with a code of conduct for its employees for compliances with the Insider Trading Regulations.

Depositories

The Depositories Act provides a legal framework for the establishment of depositories to record ownership details and effect transfer in book-entry form. Further, SEBI framed regulations in relation to the registration of such depositories, the registration of participants as well as the rights and obligations of the depositories, participants, companies and beneficial owners. The depository system has significantly improved the operation of the Indian securities markets.

Derivatives (Futures and Options)

Trading in derivatives is governed by the SCRA, the SCRR and the SEBI Act. The SCRA was amended in February 2000 and derivatives contracts were included within the term "securities", as defined by the SCRA. Trading in derivatives in India takes place either on separate and independent derivatives exchanges or on a separate segment of an existing stock exchange. The derivatives exchange or derivatives segment of a stock exchange functions as a self-regulatory organisation under the supervision of the SEBI.

DESCRIPTION OF THE EQUITY SHARES

The following is information relating to the Equity Shares including a brief summary of the Memorandum and Articles of Association, the Companies Act, 1956 and the Companies Act, 2013. Bidders are urged to read the Memorandum of Association and Articles of Association carefully, and consult with their advisers, as the Memorandum of Association and Articles of Association and applicable Indian law, and not this summary, govern the rights attached to the Equity Shares.

Authorised Capital

The authorised share capital of our Bank is ₹5,000,000,000 divided into 2,500,000,000 Equity Shares of ₹2 each.

Dividends

Subject to the provisions of the Banking Regulation Act and other applicable law, a company pays dividends upon a recommendation by its board of directors and approval by a majority of its shareholders at the AGM of shareholders. Dividends are declared on per share basis and distributed and paid to shareholders. The Companies Act provides that shares of a company of the same class must receive equal dividend treatment. These distributions and payments are required to be deposited into a separate bank account within five days of the declaration of such dividend and paid to shareholders within 30 days of the AGM where the resolution for declaration of dividends is approved.

The Companies Act states that any dividends that remain unpaid or unclaimed after that period is to be transferred to a special bank account called the dividend unpaid account. Any money that remains unclaimed for seven years from the date of the transfer is to be transferred by our Bank to a fund, called the Investor Education and Protection Fund, created by the Government of India. The Articles authorise our Board of Directors to declare interim dividends, which may be declared at any time and shall be set off against the final dividend for the relevant period. Further, the Bank shall, before declaring any dividend for each year, transfer to the reserve fund, an amount in accordance with the Articles of Association of the Bank and subject to the provisions of the Companies Act and the Banking Regulation Act.

Bonus Shares

In addition to permitting dividends to be paid out of current or retained earnings calculated under Indian GAAP, the Companies Act permits our Board of Directors, subject to the approval of our Shareholders, to distribute to our Shareholders, in the form of fully paid-up bonus shares or sweat equity shares, an amount transferred from our Bank's profits or reserves in accordance with the Articles of Association, the Companies Act and the Banking Regulation Act.

Bonus shares can only be issued if our Bank has not defaulted in payments of statutory dues of the employees, such as, contribution to provident fund, gratuity and bonus or principal or interest payments on fixed deposits or debt securities issued by it. Bonus shares may not be issued in lieu of dividend. Further, listed companies are also required to follow the SEBI ICDR Regulations for issuance of bonus shares.

Pre-Emptive Rights and Issue of Additional Shares

Subject to the provisions of the Companies Act, the Banking Regulations Act and other guidelines as may be issued by RBI, our Bank may increase its share capital by issuing new shares on such terms and with such rights as it may determine. According to Section 62 of the Companies Act, 2013, such new shares shall be offered to existing shareholders in proportion to the amount paid up on those shares at that date. The offer shall be made by notice specifying the number of shares offered and the date (being not less than 15 days and not exceeding 30 days from the date of the offer) within which the offer, if not accepted, will be deemed to have been declined. After such date our Board of Directors may dispose of the shares offered in respect of which no acceptance has been received which shall not be disadvantageous to our Shareholders. The offer is deemed to include a right exercisable by the person concerned to renounce the shares offered to him in favour of any other person subject to the provisions of FEMA 20, if applicable.

Under the provisions of Section 62(1)(c) of the Companies Act, 2013, new shares may be offered to any persons whether or not those persons include existing shareholders, either for cash or for a consideration other than cash, in the event a special resolution to that effect is passed by our shareholders in a general meeting. In addition, our Bank will also be required to comply with the SEBI ICDR Regulations.

General Meetings of our Shareholders

There are two types of General Meetings of our Shareholders:

- AGM and;
- EGM.

Our Bank must hold its AGM within six months after the expiry of each financial year provided that not more than 15 months shall elapse between the AGM and next one, unless extended by the Registrar of Companies at its request for any special reason for a period not exceeding three months. Our Board of Directors may convene an EGM when necessary and is required to call an EGM at the request of shareholder(s) holding in the aggregate not less than one tenth of our Bank's paid-up share capital (carrying a right to vote in respect of the relevant matter on the date of receipt of the requisition).

Notices, either in writing or through electronic mode, convening a meeting setting out the date, day, hour, place and agenda of the meeting must be given to members at least 21 clear days prior to the date of the proposed meeting. A general meeting may be called after giving shorter notice if consent is received, in writing or electronic mode, from not less than 95.00% of the shareholders entitled to vote. Unless the Articles of Association provide for a larger number, (i) five shareholders present in person, if the number of shareholders as on the date of meeting is not more than 1,000; (ii) 15 shareholders present in person, if the number of shareholders as on the date of the meeting is more than 1,000 but up to 5,000; and (iii) 30 shareholders present in person, if the number of shareholders as on the date of meeting exceeds 5,000, shall constitute a quorum for a general meeting of our Bank, whether AGM or EGM. The quorum requirements applicable to shareholder meetings under the Companies Act have to be physically complied with.

A company intending to pass a resolution relating to matters such as, but not limited to, amendment in the objects clause of the memorandum of association, the issuing of shares with different voting or dividend rights, a variation of the rights attached to a class of shares or debentures or other securities, buy-back of shares, giving loans or extending guarantees in excess of limits prescribed, is required to obtain the resolution passed by means of a postal ballot instead of transacting the business in the company's general meeting. A notice to all the shareholders shall be sent along with a draft resolution explaining the reasons therefore and requesting them to send their assent or dissent in writing on a postal ballot within a period of 30 days from the date of posting the letter. Postal ballot includes voting by electronic mode.

Voting Rights

Section 108 of the Companies Act and Rule 20 of the Companies (Management and Administration) Rules, 2014 deal with the exercise of right to vote by members by electronic means. In terms of Rule 20, every listed company (other than a company referred to in Chapters XB or XC of the SEBI ICDR Regulations) is required to provide to its members facility to exercise their right to vote at general meetings by electronic means. The Ministry of Corporate Affairs, has clarified that voting by show of hands would not be allowable in cases where Rule 20 is applicable. Section 12 of the Banking Regulation Act provides that no shareholder shall exercise voting rights in excess of such percentage of the total voting rights of all the shareholders.

Transfer of shares

Shares held through depositories are transferred in the form of book entries or in electronic form in accordance with the regulations laid down by SEBI. These regulations provide the regime for the functioning of the depositories and the participants and set out the manner in which the records are to be kept and maintained and the safeguards to be followed in this system. Transfers of beneficial ownership of shares held through a depository are exempt from stamp duty. Our Bank has entered into an agreement for such depository services with the NSDL and CDSL. SEBI requires that the shares for trading and settlement purposes be in book-entry form for all investors, except for transactions that are not made on a stock exchange and transactions that are not required to be reported to the stock exchange. Our Bank shall keep an electronic book in which every transfer or transmission of shares will be maintained.

Our Bank may, however, decline to register a transfer if not approved by RBI, wherever such approval is required in accordance with the Banking Regulation Act and any guidelines that may be issued by RBI.

STATEMENT OF TAX BENEFITS

STATEMENT OF POSSIBLE SPECIAL TAX BENEFITS AVAILABLE TO THE BANK AND ITS SHAREHOLDERS UNDER THE APPLICABLE LAWS IN INDIA

To,
The Board of Directors
The Federal Bank Limited
Federal Towers, Post Box No. 103
Aluva, Ernakulam 683101
Kerala, India

Dear Sirs,

Sub: Proposed Qualified Institutions Placement of equity shares of face value of Rs. 2 each ("Equity Shares") by The Federal Bank Limited (the "Bank"), pursuant to Chapter VIII of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended and Section 42 and 62 of the Companies Act, 2013, read with Rule 14 of the Companies (Prospectus and Allotment of Securities) Rules, 2014, as amended ("Issue").

We hereby confirm that the enclosed annexure states the current position of special/general tax benefits available to the Bank and to its shareholders as per the provisions of the Income-tax Act 1961 (as amended by Finance Act, 2017) (the "Act"), as applicable to the assessment year 2018-19 relevant to the financial year 2017-18.. These benefits are dependent on the Bank or its shareholders fulfilling the conditions prescribed under the relevant provisions of the Act. Hence, the ability of the Bank or its shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which based on the business imperatives, the Bank may or may not choose to fulfill.

The benefits discussed in the enclosed Annexure are not exhaustive. We are informed that this statement is only intended to provide general information to the investors and hence is neither designed nor intended to be a substitute for professional tax advice.

Our confirmation is based on the information, explanations and representations obtained from the Bank and on the basis of our understanding of the business activities and operations of the Bank.

We do not express any opinion or provide any assurance as to whether:
(i) the Bank or its shareholders will continue to obtain these benefits in future; or
(ii) the conditions prescribed for availing the benefits, where applicable have been/would be met; or
(iii) The revenue authorities/courts will concur with the views expressed herein.

In view of the individual nature of the Tax consequences and the changing tax laws, each investor is advised to consult their own tax consultant with respect to the specific tax implications arising out of their participation in the Offer. We are neither suggesting nor are we advising the investor to invest money or not to invest money based on this statement.

The enclosed statement is issued in connection with the Issue and the contents of the statements, in full or in part, can be disclosed in the Preliminary Placement Document, the Placement Document and other documents or materials in relation to the Issue (the "**Offering Documents**"). This letter and the statement can be shared with and relied on, as necessary, by the respective advisors of the Bank and the Book Running Lead Managers, intermediaries appointed in connection with the Issue. Further, this letter and the statement may be submitted to the stock exchanges or any other regulatory or statutory authority, as may be required provided that the below statement of limitation is included in the Offer Documents

"LIMITATIONS
Our views expressed in the statement enclosed are based on the facts and assumptions indicated above. No assurance is given that the revenue authorities/courts will concur with the views expressed herein. Our views are based on the existing provisions of law and its interpretation, which are subject to change from time to time.

We do not assume responsibility to update the views consequent to such changes. Reliance on the statement is on the express understanding that we do not assume responsibility towards the investors who may or may not invest in the Offer relying on the statement.

This statement has been prepared solely in connection with the Offer under the Regulations as amended."

Any capitalised term that has not been defined shall have the meaning attributed to it in the Preliminary Placement Document/ Placement Document prepared/ to be prepared in connection with the Issue.

STATEMENT OF INCOME TAX BENEFITS

A. *This statement has been prepared solely in connection with the Offer under the Regulations as amended.*

B. *This statement covers only certain relevant direct tax law benefits and does not cover any indirect tax law benefits or benefits under any other law.*

C. *The information provided below sets out the possible Income-tax benefits available to the shareholders of The Federal Bank Ltd. (the Issuer) in a summary manner only and is not a complete analysis or listing of all potential tax considerations/consequences of the subscription, ownership and disposal of the Equity Shares of the Issuer, under the current Income-tax laws presently in force in India. The Income-tax benefits mentioned in this document are subject to the specific conditions mentioned in the respective section and / or the related rules or guidelines. Several of these benefits are dependent on the shareholders fulfilling the conditions prescribed under the relevant tax laws. Hence the ability of any shareholder to derive the Tax benefits is dependent upon fulfilling such conditions, which based on business imperatives it faces in the future, it may choose not to fulfil.*

D. *The overview provided below is not exhaustive or comprehensive and is not intended to be a substitute for professional advice. Investors are advised to consult their own tax consultants and advisors with respect to the Tax implications of an investment in the Equity Shares of the Issuer, particularly in view of certain recently enacted legislation which may not have a direct legal precedent or may have a different interpretation on the benefits which can be availed.*

LIMITATION

Our views expressed in the statement enclosed are based on the facts and assumptions indicated above. No assurance is given that the revenue authorities/ courts will concur with the views expressed herein. Our views are based on the existing provisions of law and its interpretation, which are subject to change from time to time. We do not assume responsibility to update the views consequent to such changes. Reliance on the statement is on the express understanding that we do not assume responsibility towards the investors who may or may not invest in the Offer relying on the statement.

INVESTORS ARE ADVISED TO CONSULT THEIR OWN TAX CONSULTANT WITH RESPECT TO THE INCOME TAX IMPLICATIONS AND CONSEQUENCES OF PURCHASING, OWNING AND DISPOSING OF EQUITY SHARES IN THEIR PARTICULAR SITUATION

E. *The law stated below is as per the Income-tax Act, 1961 ("Act") as amended by the Finance (No. 2) Act, 2017. "Tax" referred in this statement means Income-Tax, unless specified otherwise.*

F. *The Government has introduced major reforms in Income-tax laws by introducing provisions relating to (a) General Anti-Avoidance Rules ("GAAR") and Place of Effective Management ("POEM").*

   a) *GAAR: The provisions of Chapter X-A (sections 95 to 102) of the Act are applicable in respect of Assessment Year 2018-19 (Financial Year 2017-18) and onwards. The GAAR provisions intend to declare an arrangement as "impermissible avoidance arrangement", if any arrangement, the main purpose of which is to obtain a Tax benefit and which satisfies at least one of the following tests (i) creates rights, or obligations, which are not ordinarily created between persons dealing at arm's length; (ii) results, directly or indirectly, in misuse, or abuse, of the provisions of the Act; (iii) lacks commercial substance or is deemed to lack commercial substance, in whole or in part; or (iv) is entered into, or carried out, by means, or in a manner, which are not ordinarily employed for bona fide purposes. If GAAR provisions are invoked, the tax authorities will have wide powers, including denial of Income-tax benefit or a benefit under a tax treaty.*

   b) *POEM: The provisions of Section 6 (3) of the Act is applicable with effect from Assessment Year 2017-18. As per the stated provision, a company is said to be a resident in India in any year if it is an Indian Company or its place of effective management in that year is in India. 'Place of Effective Management' means a place where key management and commercial decisions that are necessary for the conduct of business of an entity, as a whole, are in substance made. Central Board of Direct Taxes (CBDT) has issued certain guiding principles for determination of POEM of a Company. Thus, if a foreign company is considered to have PoEM in India, then it would become a tax resident in India and consequently its global income would become taxable in India.*

STATEMENT OF POSSIBLE DIRECT TAX BENEFITS AVAILABLE TO THE COMPANY AND TO ITS SHAREHOLDERS

I. INCOME-TAX ACT, 1961

A. TAX BENEFIT TO THE BANK

1. Dividends

a Dividends from domestic companies are exempt from Tax in accordance with and subject to the provisions of Section 10 (34) read with Section 115-O.

b As per Section 94(7), losses arising from sale/transfer of shares, where such shares are purchased within 3 months prior to the record date and sold within 3 months from the record date, will be disallowed to the extent such loss does not exceed the amount of dividend claimed as exempt.

c No credit can be claimed in respect of the Dividend Distribution Tax ("DDT") paid by the Company.

d Section 14A restricts claim for deduction of expenses incurred in relation to incomes which do not form part of the total income under the Act. Thus, any expenditure incurred to earn Tax exempt income is not tax deductible.

e Dividend received by Indian company from specified foreign company (in which it has shareholding of 26% or more) is taxable @ 15% (plus applicable surcharge, education cess and higher education cess) as per Section 115BBD of the Act.

f As per section 115-O of the Act, tax on distributed profits of domestic companies is chargeable to tax @ 15% (plus applicable surcharge, education cess and higher education cess). As per sub-section (1A) to section 115-O, the domestic Company will be allowed to set-off the dividend received from its subsidiary company during the financial year against the dividend distributed by it, while computing the DDT if:

i. the dividend is received from its domestic subsidiary and the subsidiary has paid the DDT payable on such dividend; or

ii. the dividend is received from a foreign subsidiary, the Company has paid tax payable under section 115BBD.

However, the same amount of dividend shall not be taken into account for reduction more than once.

g Further, the net distributed profits shall be increased to such amount as would, after reduction of the tax on such increased amounts at the specified rate, be equal to the net distributed profits.

2. Income earned from investment in units of mutual fund:

a Income earned from investment in units of mutual fund specified under Section 10(23D) or income received in respect of units from the administrator of the specified undertaking or income received in respect of units from the specified company is exempt from Tax under Section 10(35), subject to specified conditions.

b As per Section 94(7), losses arising from the sale/ redemption of units of mutual funds purchased within 3 months prior to the record date (for entitlement to receive income) and sold within 9 months from the record date, will be disallowed to the extent such loss does not exceed the amount of income claimed exempt.

c Under Section 94(8), losses arising from sale/ transfer of units of mutual funds, where such units are purchased within 3 months prior to the record date and additional units are allotted without payment based on holdings on such date and all or any unit initially purchased are sold within 9 months from the record date while continuing to hold all or any additional units, will be ignored for computing chargeable income. Such loss ignored will be considered as the cost of acquisition of the additional units held on the date of sale/transfer.

3. Interest and other income

a Under Section 10(15) subject to specified conditions, income by way of interest, premium on redemption or other payment on notified securities, bonds, certificates issued by the Central Government is exempt from Tax.

b Interest income on certain categories of bad and doubtful debts, as specified in Rule 6EA of the Income-tax Rules, 1962, is chargeable to Tax only in the year of receipt or credit to the Profit & Loss Account of the Bank, whichever is earlier, in accordance with the provisions of Section 43D.

c Under section 10(34A) of the Act, any income arising to the shareholder on account of buy back of shares (not being shares listed on a recognised stock exchange in India) referred in section 115QA is exempt from Tax.

4. Capital Gains:

1 Capital assets may be categorised into short-term capital assets or long term capital assets based on the period of holding. Capital assets being shares listed on a recognised Stock Exchange in India held for a period of more than 12 months and shares (other than listed) held for more than 24 months are considered as long term capital assets. Consequently, capital gains arising on sale of these assets held for more than 12 months/ 24 months, as the case may be, are considered as Long-term Capital Gain ("LTCG"). Capital gains arising on sale of these assets held for 12 months/ 24 months or less are considered as Short-term Capital Gain ("STCG").

2 Under section 111A, STCG, as defined in section 2(42B), arising on the transfer of equity shares would be taxed @ 15% (plus applicable surcharge and education cess), where the sale is made on or after October 1, 2004 on a recognised stock exchange and the transaction is chargeable to Securities Transaction Tax ("STT"). In all other cases, the STCG would be taxed at the normal rates of Tax (plus applicable surcharge and education cess). Cost indexation benefits would not be available in computing Tax on STCG.

3 Such concessional rate would be available without such transaction being subject to STT, if such transaction is undertaken on a recognised stock exchange located in any International Financial Services Centre and where the consideration is paid or payable in foreign currency. No deduction under Chapter VIA of the Act shall be allowed from such STCG.

4 LTCG, as defined under section 2(29B), arising on sale of equity shares is fully exempt from Tax in accordance with the provision of section 10(38) where the sale is made on or after 1st October, 2004 on a recognised stock exchange and transaction of sale is chargeable to STT (STT). However, such income by way of LTCG shall be taken into account in computing the Book Profits and Tax payable under Section 115JB. Subject to following exceptions, the exemption shall not be available in case the transaction of acquisition of equity shares is entered into on or after the 1st October 2004 and such transaction is not chargeable to STT:

i. Acquisition of listed equity shares in a company which has been approved by the Supreme Court, High Court, National Company Law Tribunal, Securities and Exchange Board of India or Reserve Bank of India in this behalf.
ii. Acquisition of listed equity shares in a company by any non-resident in accordance with foreign direct investment guidelines issued by the Government of India.
iii. Acquisition of listed equity shares in a company by an investment fund referred to in clause (a) of Explanation 1 to section 115UB or a venture capital fund referred to in clause (23FB) of section 10 or a Qualified Institutional Buyer.
iv. Acquisition of listed equity shares in a company through preferential issue to which the provisions of Chapter VII of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 does not apply.
v. Following acquisition of listed equity shares in a company made in accordance with the provisions of the Securities Contracts (Regulation) Act, 1956:
    1 acquisition through an issue of share by a company other than the issue referred to in clause (a) i.e. preferential allotment.
    2 acquisition by scheduled banks, reconstruction or securitisation companies or public financial institutions during their ordinary course of business.
    3 acquisition which has been approved by the Supreme Court, High Courts, National Company Law Tribunal, Securities and Exchange Board of India or Reserve Bank of India in this behalf.
    4 acquisition under employee stock option scheme or employee stock purchase scheme framed under the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999.

5 acquisition by any non-resident in accordance with foreign direct investment guidelines of the Government of India.

6 acquisition by mode of transfer referred to in sections 47 or 50B of the Act, if the previous owner of such shares has not acquired them by any mode referred to in clause (a) or clause (b) or clause (c) [other than the transactions referred to in the proviso to clause (a) or clause (b)].

5 Under section 112, LTCG, where STT is not levied, are subject to Tax @ 20% (plus applicable surcharge and cess) after indexation, as provided in the second proviso to section 48 of the Act. However, in case of listed securities (other than units) where STT is not levied, at the option of the shareholder, the rate of Tax would be @ 10% (plus applicable surcharge and cess), without any indexation. Indexation benefit is not available in respect of LTCG on bonds and debentures (excluding capital indexed bonds issued by the Government and sovereign gold bonds issued by the Reserve Bank of India).

6 As base year for indexation purposes is shifted from 1st April 1981 to 1st April 2001, cost of acquisition of shares acquired before 1st April 2001 shall be allowed to be taken as fair market value as on 1st April 2001 and shall be indexed by applying following cost inflation index:

Year ending 31st March	**Cost inflation index**
2001-02	100
2002-03	105
2003-04	109
2004-05	113
2005-06	117
2006-07	122
2007-08	129
2008-09	137
2009-10	148
2010-11	167
2011-12	184
2012-13	200
2013-14	220
2014-15	240
2015-16	254
2016-17	264
2017-18	272

7 Under Section 54EC, subject to the specified conditions, LTCG (other than those exempt under Section 10(38)) arising on transfer of securities would be exempt from Tax if such capital gain is invested within six months after the date of such transfer in specified bonds (Long Term Specified Assets redeemable after 3 years) issued by:

i. National Highways Authority of India constituted under Section 3 of The National Highways Authority of India Act, 1988.
ii. Rural Electrification Corporation Limited, a company formed and registered under the Companies Act, 1956.
iii. Power Finance Corporation Limited, a company formed and registered under the Companies Act, 1956.

8 The investment in the Long Term Specified Assets is eligible for such deduction to the extent of ₹5 Million. Such investment during the financial year in which the shares are transferred and in the subsequent financial year cannot exceed ₹5 Million. If only part of the capital gain is so reinvested, the exemption available shall be in the same proportion as the cost of long term specified assets bears to the whole of the capital gain, However, in case the Long Term Specified Asset is transferred or converted into money within 3 years from the date of its acquisition, the amount so exempted shall be chargeable to Tax during the year of such transfer or conversion.

9 Under section 54EE of the Act and subject to the specified conditions and to the extent specified therein, LTCG (in case not covered under section 10(38) of the Act) arising on the transfer of a Long-Term Capital Asset would be

exempt from Tax if such capital gain is invested within six months from the date of such transfer in a "Long Term Specified Asset".

10 A "long term specified asset" means a unit or units, issued before the 1st day of April, 2019, of such fund as may be notified by the Central Government in this behalf.

11 The total deduction with respect to investment in the long term specified assets is restricted to ` 5 Million whether invested during the financial year in which the asset is transferred and in the subsequent year.

12 Where the "long term specified asset" are transferred within 3 years from the date of their acquisition, the amount so exempted is taxable as capital gains in the year of transfer.

13 Under Section 47(xv), any transfer in a scheme of lending of any securities under an agreement or arrangement, which the assessee has entered into with the borrower of such securities and which is subjected to the guidelines issued by the Securities and Exchange Board of India or Reserve Bank of India, in this regard is not considered as transfer and hence not liable to Tax

14 As per provisions of Section 72, the Bank is entitled to carry forward business losses that cannot be set off against permitted sources of income in the relevant assessment year, for a period of eight consecutive assessment years immediately succeeding the assessment year when the losses were first computed, and set off such losses against income chargeable under the head "Profits and gains from business or profession" in such assessment year. The set off is permissible even if the business in which the loss was sustained is not carried on in the year of set off.

15 Under Section 74, short-term capital loss suffered during the year is allowed to be carried forward and set-off against STCG as well as LTCG of a subsequent year. Such loss is permitted to be carried forward for up to eight years immediately succeeding the year in which such loss arises, for claiming set-off against subsequent years' STCG as well as LTCG. Long-term capital loss suffered during the year is allowed to be set-off against LTCG. Balance loss, if any, could be carried forward for up to eight years for claiming set-off against subsequent years' LTCG.

5. **Deductions:**

a Under Section 35D, $^{1}/_{5}{}^{th}$ of specified expenses incurred towards capital raising is eligible for deduction for a period of five years.

b Under Section 36(1)(vii), any bad debt or part thereof written off as irrecoverable in the accounts is allowable as a deduction, subject to the provisions of section 36(2). The deduction of bad debts is limited to the amount, by which such bad debts or part thereof, exceeds the credit balance in the provision for bad and doubtful debts account made under Section 36(1)(viia).

c Under Section 36(1)(viia), a deduction is allowable in respect of any provision made for bad and doubtful debts, by an amount not exceeding 7.50% of total income (computed before making any deduction under this Clause and Chapter VIA) and an amount not exceeding 10% of the aggregate average advances made by rural branches of the Bank computed in the prescribed manner.

d Under Section 36(1)(viii), a deduction is allowable in respect of any special reserve created and maintained for an amount not exceeding 20% of the profits derived from the business of long term finance for industrial or agricultural development or development of infrastructure facility in India or development of housing in India subject to the specified conditions. If the aggregate amount carried to the Special Reserve from time to time exceeds twice the paid-up capital and general reserves, no deduction shall be allowed of the excess amount under that Section. The amount withdrawn from such Special Reserve Account would be chargeable to Tax in the year of withdrawal, in accordance with the provisions for Section 41(4A).

e Under Section 36(1)(xv), STT paid by a taxpayer in respect of taxable securities transactions entered into in the course of its business, would be allowed as a deduction if the income arising from such taxable securities transactions is included in the income computed under the head "Profits and gains of business or profession".

f Under Section 80LA, subject to specified conditions, income earned by scheduled bank from an Offshore Banking Unit in a Special Economic Zone, or from the business referred to in sub-section (1) of section 6 of the Banking

Regulation Act, 1949 with an undertaking located in a Special Economic Zone or any other undertaking which develops, develops and operates or develops, operates and maintains a Special Economic Zone; or from any Unit of the International Financial Services Centre from its business for which it has been approved for setting up in such a Centre in a Special Economic Zone is able to claim a deduction of an amount equal to-

i. 100% of such income for five consecutive assessment years beginning with the assessment year relevant to the previous year in which the permission, under clause (*a*) of sub-section (1) of section 23 of the Banking Regulation Act, 1949 or permission or registration under the Securities and Exchange Board of India Act, 1992 (15 of 1992) or any other relevant law was obtained, and thereafter;

ii. 50% of such income for five consecutive assessment years.

B. STATEMENT OF GENERAL DIRECT TAX BENEFITS AVAILABLE TO THE RESIDENT SHAREHOLDERS (PUBLIC SECTOR ENTERPRISES, MUTUAL FUNDS AND DOMESTIC INSURANCE COMPANIES IN INDIA) AND FOREIGN INSTITUTIONAL INVESTORS (FIIs)

B.1 To Resident Shareholders: (Scheduled Commercial Banks, public financial institutions, state industrial development corporations, others)

1 **Dividends**

a Dividends from domestic companies are exempt from Tax in accordance with and subject to the provisions of Section 10 (34) read with Section 115-O subject to provisions of section 115BBDA, as per which dividend paid by a domestic company exceeding ` Ten Lakhs is taxable @ 10% for certain specified assessees.

b As per Section 94(7), losses arising from sale/transfer of shares, where such shares are purchased within 3 months prior to the record date and sold within 3 months from the record date, will be disallowed to the extent such loss does not exceed the amount of dividend claimed as exempt.

c No credit can be claimed in respect of the DDT paid by the Company.

d Section 14A restricts claim for deduction of expenses incurred in relation to incomes which do not form part of the total income under the Act. Thus, any expenditure incurred to earn Tax exempt income is not tax deductible.

2 **Capital Gains**

a The gains/losses, arising from sale of shares will assume the character of Capital Gains or Business Income depending on the nature of holding in the hands of the shareholder and various other factors. Taxability of income on regular trading of securities will depend on facts and circumstances of each case.

b Capital assets may be categorised into short-term capital assets or long-term capital assets based on the period of holding. Capital assets being shares listed on a recognised Stock Exchange in India held for a period of more than 12 months and shares (other than listed) held for more than 24 months are considered as long term capital assets. Consequently, capital gains arising on sale of these assets held for more than 12 months/ 24 months, as the case may be, are considered as LTCG. Capital gains arising on sale of these assets held for 12 months/ 24 months or less are considered as STCG.

c Under section 111A, STCG, as defined in section 2(42B), arising on the transfer of equity shares would be taxed @ 15% (plus applicable surcharge and education cess), where the sale is made on or after October 1, 2004 on a recognised stock exchange and the transaction is chargeable to Securities Transaction Tax (“STT”). In all other cases, the STCG would be taxed at the normal rates of Tax (plus applicable surcharge and education cess). Cost indexation benefits would not be available in computing Tax on STCG.

Such concessional rate would be available without such transaction being subject to STT, if such transaction is undertaken on a recognised stock exchange located in any International Financial Services Centre and where the consideration is paid or payable in foreign currency. No deduction under Chapter VIA of the Act shall be allowed from such STCG.

d LTCG, as defined under section 2(29B), arising on sale of equity shares is fully exempt from Tax in accordance with the provision of section 10(38) where the sale is made on or after 1st October, 2004 on a recognised stock exchange and transaction of sale is chargeable to STT (STT). However, such income by way of LTCG shall be taken into account in computing the Book Profits and Tax payable under Section 115JB. Subject to following exceptions, the exemption shall not be available in case the transaction of acquisition of equity shares is entered into on or after the 1st October 2004 and such transaction is not chargeable to STT:

i. Acquisition of listed equity shares in a company which has been approved by the Supreme Court, High Court, National Company Law Tribunal, Securities and Exchange Board of India or Reserve Bank of India in this behalf.
ii. Acquisition of listed equity shares in a company by any non-resident in accordance with foreign direct investment guidelines issued by the Government of India.
iii. Acquisition of listed equity shares in a company by an investment fund referred to in clause (a) of Explanation 1 to section 115UB or a venture capital fund referred to in clause (23FB) of section 10 or a Qualified Institutional Buyer.
iv. Acquisition of listed equity shares in a company through preferential issue to which the provisions of Chapter VII of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 does not apply.
v. Following acquisition of listed equity shares in a company made in accordance with the provisions of the Securities Contracts (Regulation) Act, 1956:
   1 acquisition through an issue of share by a company other than the issue referred to in clause (a) i.e. preferential allotment.
   2 acquisition by scheduled banks, reconstruction or securitisation companies or public financial institutions during their ordinary course of business.
   3 acquisition which has been approved by the Supreme Court, High Courts, National Company Law Tribunal, Securities and Exchange Board of India or Reserve Bank of India in this behalf.
   4 acquisition under employee stock option scheme or employee stock purchase scheme framed under the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999.
   5 acquisition by any non-resident in accordance with foreign direct investment guidelines of the Government of India.
   6 acquisition by mode of transfer referred to in sections 47 or 50B of the Act, if the previous owner of such shares has not acquired them by any mode referred to in clause (a) or clause (b) or clause (c) [other than the transactions referred to in the proviso to clause (a) or clause (b)].

e Under section 112, LTCG, where STT is not levied, are subject to Tax @ 20% (plus applicable surcharge and cess) after indexation, as provided in the second proviso to section 48 of the Act. However, in case of listed securities (other than units) where STT is not levied, at the option of the shareholder, the rate of Tax would be @ 10% (plus applicable surcharge and cess), without any indexation.

As base year for indexation purposes is shifted from 1st April 1981 to 1st April 2001, cost of acquisition of shares acquired before 1st April 2001 shall be allowed to be taken as fair market value as on 1st April 2001 and shall be indexed by applying following cost inflation index:

Year ending 31st March	**Cost inflation index**
2001-02	100
2002-03	105
2003-04	109
2004-05	113
2005-06	117
2006-07	122
2007-08	129
2008-09	137
2009-10	148
2010-11	167
2011-12	184
2012-13	200
2013-14	220

2014-15	240
2015-16	254
2016-17	264
2017-18	272

f Under Section 54EC, subject to the specified conditions, LTCG (other than those exempt under Section 10(38)) arising on transfer of securities would be exempt from Tax if such capital gain is invested within six months after the date of such transfer in specified bonds (Long Term Specified Assets redeemable after 3 years) issued by:

i. National Highways Authority of India constituted under Section 3 of The National Highways Authority of India Act, 1988.
ii. Rural Electrification Corporation Limited, a company formed and registered under the Companies Act, 1956.
iii. Power Finance Corporation Limited, a company formed and registered under the Companies Act, 1956.

The investment in the Long Term Specified Assets is eligible for such deduction to the extent of ` 5 Million. Such investment during the financial year in which the shares are transferred and in the subsequent financial year cannot exceed ` 5 Million. If only part of the capital gain is so reinvested, the exemption available shall be in the same proportion as the cost of long term specified assets bears to the whole of the capital gain, However, in case the Long Term Specified Asset is transferred or converted into money within 3 years from the date of its acquisition, the amount so exempted shall be chargeable to Tax during the year of such transfer or conversion.

g Under section 54EE of the Act and subject to the specified conditions and to the extent specified therein, LTCG (in case not covered under section 10(38) of the Act) arising on the transfer of a Long-Term Capital Asset would be exempt from Tax if such capital gain is invested within six months from the date of such transfer in a "Long Term Specified Asset".

A "long term specified asset" means a unit or units, issued before the 1st day of April, 2019, of such fund as may be notified by the Central Government in this behalf.

The total deduction with respect to investment in the long term specified assets is restricted to ` 5 Million whether invested during the financial year in which the asset is transferred and in the subsequent year.

Where the "long term specified asset" are transferred within 3 years from the date of their acquisition, the amount so exempted is taxable as capital gains in the year of transfer.

h Under Section 47(xv), any transfer in a scheme of lending of any securities under an agreement or arrangement, which the assessee has entered into with the borrower of such securities and which is subjected to the guidelines issued by the Securities and Exchange Board of India or Reserve Bank of India, in this regard is not considered as transfer and hence not liable to Tax.

i Under Section 74, short-term capital loss suffered during the year is allowed to be carried forward and set-off against STCG as well as LTCG of a subsequent year. Such loss is permitted to be carried forward for up to eight years immediately succeeding the year in which such loss arises, for claiming set-off against subsequent years' STCG as well as LTCG. Long-term capital loss suffered during the year is allowed to be set-off against LTCG. Balance loss, if any, could be carried forward for up to eight years for claiming set-off against subsequent years' LTCG.

3 **Deductions**

Under section 36(1)(xv), STT paid by a shareholder in respect of taxable securities transactions entered into in the course of its business, would be allowed as a deduction if the income arising from such taxable securities transactions is included in the income computed under the head profits and gains of business or profession.

B.2 To the Resident Mutual Fund

Under Section 10(23D), exemption is available in respect of all income (including capital gains arising on transfer of shares) earned by a Mutual Fund registered under the Securities and Exchange Board of India Act, 1992 or such other mutual fund set up by a public- sector bank or a public financial institution or authorised by the Reserve Bank of India and subject to the such specified conditions as the Central Government may specify by notification.

B.3 To the Domestic Insurance Company

1 Taxation of insurance companies is governed by Section 44 of the Act which provides a special regime for taxation of insurance companies. The section states that notwithstanding anything to the contrary contained in the provisions of this Act relating to computation of income chargeable under the head “income from house property”, “capital gains” or “income from other sources” or in section 199 or in sections 28 to 43B, the profits and gains of any business of insurance, including a mutual insurance company or by a co-operative society shall be computed in accordance with the rules contained in the First Schedule.

2 Taxation of life insurance business in India governed by section 115B, section 44 and the First Schedule of the Act. “Profit and gains of the life insurance business” is taken as “annual average of the surplus arrived at after adjusting the surplus or deficit disclosed by the actuarial valuation” excluding “from it any surplus or deficit included therein which was made in any earlier inter-valuation period.”

3 Provisions of computation of Minimum Alternative Tax under section 115JB of the Act are not applicable to income accruing to a company from life insurance business.

4 Profits and gains of business of general insurance companies is computed based on the profit and loss account prepared in accordance with the provisions of the Insurance Act, 1938 and the IRDA Act, 1999 and the related Rules under both laws, subject to the following adjustments:

a Additions of the amounts which are not admissible under the provisions of section 30 to 43B.

b Any gains or loss on realisation of investments shall be added or deducted, if such gain or loss is not credited or debited to the profit and loss account.

c Any provision for diminution in the value of investments debited to profit and loss account shall be added back.

d Amount carried to reserve for unexpired risk shall be allowed as a deduction as prescribed in rule 6E of the Income-tax Rules, 1962.

5 **Tax rate**:

a Life Insurance Companies: 12.50% on profits from life insurance business and 30% on other than life Insurance business income as increased by surcharge and education cess.

b General insurance companies: 30% of profits as increased by surcharge and education cess.

B.4 Provident Fund and Pension Fund

Under section 10(25), any income received by trustees on behalf of a recognised provident fund (as defined in section 2(38)) and an Approved superannuation fund (as defined in section 2(6)) is exempt from Tax.

B.5 Investment Fund:

1 Under section 10(23FBA), any income of an Investment Fund, other than the income chargeable under the head “Profits and gains of business or profession” would be exempt from Tax. For this purpose, an “Investment Fund” means a fund registered as Category I or Category II Alternative Investment Fund under the Securities and Exchange Board of India (Alternate Investment Fund) Regulations, 2012.

2 As per Section 115UB(1), any income accruing/arising/received by a person from investment in Investment Fund would be taxable in the hands of the person making an investment in the same manner as if it were the income accruing/arising/received by such person had the investments been made directly in the investment fund.

3 Under section 115UB(4), the taxable income of an Investment Fund would be charged at the rate or rates as specified in the Finance Act of the relevant year where the Investment Fund is a company or a firm or at maximum marginal rate in any other case.

4 Under Section 115UB(6), the income accruing or arising to or received by the Investment Fund if not paid or credited to a person (who has made investments in an Investment Fund) shall be deemed to have been credited to the account of the said person on the last day of the previous year in the same proportion in which such person would have been entitled to receive the income had it been paid in the previous year.

C. Non-Resident Shareholders

C.1 Multi-lateral and bilateral development financial institution

Multilateral and bilateral development financial institution may be exempt from Tax in India on the capital gains arising on the sale of shares depending on the applicable Statute and Acts passed in India. In case they are not specifically exempt from Tax then the provisions as applicable for capital gains to a non-resident FII may apply, as presumably they would be registered as FII.

C.2 Foreign Institutional Investors (FIIs)

1 **Dividends**

a. Dividends from domestic companies are exempt from Tax in accordance with and subject to the provisions of Section 10 (34) read with Section 115-O.

b. As per Section 94(7), losses arising from sale/transfer of shares, where such shares are purchased within 3 months prior to the record date and sold within 3 months from the record date, will be disallowed to the extent such loss does not exceed the amount of dividend claimed as exempt.

c. No credit can be claimed in respect of the DDT paid by the Company.

d. Section 14A restricts claim for deduction of expenses incurred in relation to incomes which do not form part of the total income under the Act. Thus, any expenditure incurred to earn Tax exempt income is not tax deductible.

2 **Capital Gains**

a. LTCG, as defined under section 2(29B), arising on sale of equity shares is fully exempt from Tax in accordance with the provision of section 10(38) where the sale is made on or after 1st October, 2004 on a recognised stock exchange and transaction of sale is chargeable to STT (STT). However, such income by way of LTCG shall be taken into account in computing the Book Profits and Tax payable under Section 115JB. Subject to following exceptions, the exemption shall not be available in case the transaction of acquisition of equity shares is entered into on or after the 1st October 2004 and such transaction is not chargeable to STT:

   i. Acquisition of listed equity shares in a company which has been approved by the Supreme Court, High Court, National Company Law Tribunal, Securities and Exchange Board of India or Reserve Bank of India in this behalf.
   ii. Acquisition of listed equity shares in a company by any non-resident in accordance with foreign direct investment guidelines issued by the Government of India.
   iii. Acquisition of listed equity shares in a company by an investment fund referred to in clause (a) of Explanation 1 to section 115UB or a venture capital fund referred to in clause (23FB) of section 10 or a Qualified Institutional Buyer.
   iv. Acquisition of listed equity shares in a company through preferential issue to which the provisions of Chapter VII of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 does not apply.
   v. Following acquisition of listed equity shares in a company made in accordance with the provisions of the Securities Contracts (Regulation) Act, 1956:
      1 acquisition through an issue of share by a company other than the issue referred to in clause (a) i.e. preferential allotment.
      2 acquisition by scheduled banks, reconstruction or securitisation companies or public financial institutions during their ordinary course of business.
      3 acquisition which has been approved by the Supreme Court, High Courts, National Company Law Tribunal, Securities and Exchange Board of India or Reserve Bank of India in this behalf.
      4 acquisition under employee stock option scheme or employee stock purchase scheme framed under the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999.
      5 acquisition by any non-resident in accordance with foreign direct investment guidelines of the Government of India.

6 acquisition by mode of transfer referred to in sections 47 or 50B of the Act, if the previous owner of such shares has not acquired them by any mode referred to in clause (a) or clause (b) or clause (c) [other than the transactions referred to in the proviso to clause (a) or clause (b)].

b. The provisions of section 115JB do not apply to a foreign company if it is a resident of a country with which India has entered into a Double Tax Avoidance Agreement under section 90 and the assessee does not have a Permanent Establishment in India or such company is a resident of a country with which India does not have such agreement and the assessee is not required to seek registration under any law for the time being in force, relating to companies.

c. Under Section 115AD(1)(ii), STCG arising to an FII on transfer of shares shall be chargeable to Tax @ 30% (plus surcharge and education cess), where such transactions are not subjected to STT @ 15%(plus surcharge and education cess) provided such transaction of sale is entered on a recognised stock exchange in India and is chargeable to STT.

d. Under Section 115AD(1)(iii), LTCG arising to an FII on transfer of shares (in cases not covered under Section 10(38) of the Act) held in the Company shall be chargeable to Tax @ 10% (plus surcharge and education cess). The benefit of indexation of cost and of foreign currency fluctuations are not available to FIIs.

e. As per section 90(2), the provisions of the Act would prevail over the provisions of the Double Tax Avoidance Agreement ("DTAA") entered between India and the country of fiscal domicile of the non-resident, if any, to the extent they are more beneficial to the non-resident. Thus, a non-resident (including NRIs) can opt to be governed by the provisions of the Act or the applicable tax treaty, whichever are more beneficial. However, the FII eligible to avail DTAA benefits shall obtain Tax Residency Certificate ("TRC") from the Government of the Country of its residence or specified territory containing the prescribed particulars, which has been notified by the CBDT through insertion of Rule 21AB in the Income-tax Rules, 1962, also submit Form 10F (wherever applicable) and certain specific information to avail of the tax benefit.

f. As per Section 196D, no tax is to be deducted at source from any income, by way of Capital Gains arising to an FII from the transfer of securities referred to in section 115AD.

g. With effect from 1st April, 2017, the benefit of the DTAA will not be available to a non-resident investor if the Tax department declares any arrangement to be an impermissible avoidance arrangement.

C.3 Foreign Venture Capital Investor (FVCI):

1 Income of a FVCI from investments in a Venture Capital Undertaking/ Companies is exempt under section 10(23FB).

2 In accordance with section 115-U, any income accruing or received by a person out of investment in venture capital fund or venture capital company shall be chargeable to Tax in the same manner as if it were income accrued or received by such person had he made investment in the venture capital undertaking directly. The income paid by a VCF or VCC shall be deemed to be of the same nature and in the same proportion in the hands of the person receiving it as it had been received by or had accrued or arisen to VCF or VCC, as the case may be. The income accruing or arising to or received by a VCF or VCC from investments in a Venture Capital Undertaking shall be deemed to have been credited to the account of such person on the last day of the previous year in the same proportion in which such person would have been entitled to receive the income.

3 The FVCI eligible to avail DTAA benefits shall obtain TRC from the Government of the Country of its residence or specified territory containing the prescribed particulars, which has been notified by the CBDT through insertion of Rule 21AB in the Income-tax Rules, 1962, also submit Form 10F (wherever applicable) and certain specific information to avail of the tax benefit.

C.4 Non-Resident Indians:

1 As per section 115C(e), the term "non-resident Indians" means an individual, being a citizen of India or a person of Indian origin who is not a "resident". A person shall be deemed to be of Indian origin if he, or either of his parents or any of his grand-parents, was born in undivided India.

2 As per section 115E, in the case of a shareholder being a non-resident Indian, and subscribing to the shares of the Issuer in convertible foreign exchange, in accordance with and subject to the prescribed conditions, LTCG on transfer of the

shares of the Issuer (in cases not covered under section 10(38)) will be subject to tax at the rate of 10% (plus applicable surcharge and education cess), without any indexation benefit.

3 As per section 115F and subject to the specified conditions, in the case of a shareholder being a non-resident Indian, gains arising on transfer of a long-term capital asset being shares of the Company will not be chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period of six months in any specified asset or savings certificates referred to in section 10(4B). If part of such net consideration is invested within the prescribed period of six months in any specified asset or savings certificates referred to in section 10(4B) then this exemption would be allowable on a proportionate basis. Further, if the specified asset or saving certificates in which the investment has been made is transferred within a period of 3 years from the date of investment, the amount of capital gains tax exempted earlier would become chargeable to Tax as LTCG in the year in which such specified asset or savings certificates are transferred.

4 As per section 115G, non-resident Indians are not obliged to file a return of income under section 139(1), if their only source of income is income from specified investments or LTCG on transfer of such investments or both, provided Tax has been deducted at source from such income as per the provisions of Chapter XVII-B of the Act.

5 As per section 115H, where non-resident Indian becomes assessable as a resident in India, he may furnish a declaration in writing to the Assessing Officer, along with his return of income for that year under section 139 to the effect that the provisions of Chapter XII-A shall continue to apply to him in relation to investment income derived from the investment in equity shares of the Company as mentioned in section 115C(f)(i) for that year and subsequent assessment years until assets are converted into money.

6 As per section 115I, a non-resident Indian may elect not to be governed by the provisions of Chapter XII-A for any assessment year by furnishing a declaration along with his return of income for that assessment year under section 139, that the provisions of Chapter XII-A shall not apply to him for that assessment year and accordingly his total income for that assessment year will be computed in accordance with the other provisions of the Act.

D. Tax Deduction at Source:

No Tax is deductible at source from income by way of capital gains arising to a resident shareholder under the present provisions of the Act. However, as per the provisions of Section 195, any income by way of capital gains payable to non-residents (other than LTCG exempt under section 10(38)) may be subject to withholding of Tax at the rate under the domestic tax laws or under the tax laws or under the DTAA, whichever is beneficial to the assessee unless a lower withholding tax certificate is obtained from the tax authorities. However, the non-resident investor will have to obtain TRC from the Government of the Country of its residence or specified territory containing the prescribed particulars which has been notified by the CBDT through insertion of Rule 21AB in the Income-tax Rules, 1962, also submit Form 10F (wherever applicable) and certain specific information to avail of the Tax benefit. The withholding tax rates are subject to the recipient of income obtaining and furnishing a permanent account number (PAN) to the payer, in the absence of which the applicable withholding tax rate would be the higher of the applicable rates or 20%(plus surcharge and cess), under section 206AA. The provisions of section 206AA will not apply if the non- resident shareholder furnishes the prescribed documents to the payer. Additionally, as per the provisions of section 196D of the IT Act, no tax is to be withheld in respect of gains earned by an FII.

E. Surcharge and Cess:

1 Surcharge applicable for the Financial Year 2017-18 is as under:

Investor	Rate of Surcharge
Individual or Hindu Undivided Family (HUF) or Associated of Persons (AOP) or body of individuals or artificial juridical person	
- Total income exceeds Rs.5 million	
- Total income exceeds Rs. 10 million	10%
	15%
Firm or Co-operative society or local authority	
- Total income exceeds Rs. 10 million	12%
Domestic Company	
- Total income exceeds Rs. 10 million	7%
- Total income exceeds Rs. 100 million	12%
Foreign Company	
- Total income exceeds Rs. 10 million	2%

- Total income exceeds Rs. 100 million 5%

2 Cess applicable for the Financial Year 2017-18: 2% education cess and 1% secondary and higher education cess

II. Securities Transaction Tax (STT):

1. **For Purchaser:**
The transaction for purchase of equity shares entered into on a recognised stock exchange and settled by actual delivery or transfer is liable to STT @ 0.10%.

2. **For Seller:**
The transaction for sale of equity shares entered into on a recognised stock exchange and settled by actual delivery or transfer is liable to STT @ 0.10%. The transaction for sale of equity shares entered into on a recognised stock exchange and not settled by actual delivery or transfer is liable to STT @ 0.025%.

3. **STT on derivative transactions:**

Taxable securities transaction	**Rate**	**Payable by**
Sale of an option in securities	0.05 %	Seller
Sale of an option in securities, where option is exercised	0.125 %	Purchaser
Sale of a futures in securities	0.01 %	Seller

CERTAIN U.S. FEDERAL TAX CONSIDERATIONS

The following discussion describes certain U.S. federal income tax consequences of the investment in shares, and is based upon the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), the U.S. Treasury regulations promulgated thereunder, judicial decisions, revenue rulings and revenue procedures of the Internal Revenue Service ("**IRS**"), and other administrative pronouncements of the IRS, all available as of the date hereof. All of the foregoing authorities are subject to change, which change could apply retroactively and could affect the tax consequences described below. No ruling will be sought from the IRS with respect to any statement in this discussion and there can be no assurance that the IRS will not challenge such statements, or, if challenged, that a court will uphold such statement. This discussion is applicable to U.S. Holders (as defined below) that hold the Equity Shares as capital assets for U.S. federal income tax purposes (generally property held for investment). This discussion does not address any U.S. federal estate or gift tax consequences, the alternative minimum tax, the Medicare tax on net investment income or any state, local, or non-U.S. tax consequences.

For purposes of this discussion a "U.S. Holder" is a beneficial owner of an ordinary share that is, for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the United States;
- a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust that is subject to the primary supervision of a court within the United States and one or more U.S. persons have the authority to control all substantial decisions of the trust.

This discussion does not address all U.S. federal income tax consequences applicable to any particular investor, and does address the tax consequences applicable to persons subject to special treatment under the U.S. federal income tax laws, including a person who is:

- a dealer in securities or currencies;
- a financial institution;
- a regulated investment company;
- a real estate investment trust;
- an insurance company;
- a tax-exempt organization;
- a person holding the Equity Shares as part of a hedging, integrated or conversion transaction, a constructive sale or a straddle;
- a trader in securities that has elected the mark-to-market method of accounting;
- a person liable for alternative minimum tax;
- a U.S. expatriate or former U.S. citizen or long-term resident;
- an investor that holds shares through a financial account at a foreign financial institution that does not meet the requirements to be exempt from withholding with respect to certain payments under Section 1471 of the Code;
- persons who acquired shares pursuant to the exercise of any employee share option or otherwise as compensation;
- partnerships or other pass-through entities, or persons holding shares through such partnerships or other pass-through entities;
- a person who actually or constructively owns 10% or more of the total combined value of all classes of our voting stock; or
- a person whose functional currency is not the U.S. dollar.

If a partnership (including any entity or arrangement treated as a partnership for U.S. federal income tax purposes) holds shares, the tax treatment of a partner will depend upon the status of the partner and the activities of the partnership. Partnerships considering an investment in the Equity Shares should consult their own tax advisors as to the particular U.S. federal income tax consequences of acquiring, holding and disposing of the Equity Shares.

Investors are urged to consult their tax advisors about the application of the U.S. federal tax rules to their particular circumstances as well as the state, local, non-U.S. and other tax consequences to them of the purchase, ownership, and disposition of offer shares.

We expect, and this summary assumes, that we will not be a passive foreign investment company for U.S. federal income tax purposes. See the discussion under "—Passive Foreign Investment Company."

Distributions on Shares

Distributions will be includible in a U.S. Holder's income as dividends to the extent paid out of our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. To the extent that the amount of any distribution exceeds our current and accumulated earnings and profits for a taxable year, as determined under U.S. federal income tax principles, the distribution will first be treated as a tax free return of capital, and the balance in excess of a U.S. Holder's adjusted tax basis in the Equity Shares will be taxed as capital gain recognized on a sale or exchange. However, we do not expect to calculate our earnings and profits in accordance with U.S. federal income tax principles, and, accordingly, U.S. Holders should expect that a distribution will generally be reported as a dividendeven if that distribution (or a portion thereof) would otherwise be treated as a tax-free return of capital or as capital gain. Such dividends will not be eligible for the dividends received deduction allowed to U.S. corporations for dividends received from other U.S. corporations.

With respect to certain non-corporate U.S. Holders, including individual U.S. Holders, dividends may be taxed at the lower capital gain rates applicable to "qualified dividend income", provided (1) we are eligible for the benefits of the income tax treaty between the United States and India (the "**Treaty**"), (2) we are neither a PFIC nor treated as such with respect to a U.S. Holder (as discussed above) for either the taxable year in which the dividend was paid or the preceding taxable year, (3) certain holding period requirements are met and (4) U.S Holders are not under an obligation to make related payments with respect to positions in substantially similar or related property. We epect to be eligible for Treaty benefits as long as there is substantial and regular trading of the Equity Shares on the BSE and NSE. U.S. Holders should consult their tax advisors regarding the availability of the lower capital gain rates applicable to qualified dividend income for dividends paid with respect to the Equity Shares.

U.S. Holders should consult their own tax advisors regarding how to account for dividends that are paid in a currency other than the U.S. dollar.

Sale or Other Taxable Disposition of Shares

A U.S. Holder will recognize U.S. source capital gain or loss upon the sale or other taxable disposition of shares in an amount equal to the difference between the U.S. dollar value of the amount realized upon the disposition and the U.S. Holder's adjusted tax basis in such shares. Any capital gain or loss will be long-term if the Equity Shares have been held for more than one year at the time of the sale or other taxable disposition. Certain non-corporate U.S. Holders, including individuals, are eligible for reduced rates of taxation on long-term capital gains. The deductibility of capital losses is subject to limitations.

U.S. Holders should consult their own tax advisors regarding how to account for sale or other disposition proceeds that are paid in a currency other than the U.S. dollar.

Treatment of Non-U.S. Taxes

- U.S. tax rules relating to foreign tax credits and deductions for non-U.S. taxes paid are complex. U.S. Holders should consult their own advisors about the applicability of these rules to their particular circumstances.

Passive Foreign Investment Company

In general, a non-U.S. corporation will be classified as a PFIC for any taxable year if at least (i) 75 per cent. of its gross income is classified as "passive income" or (ii) 50 per cent. of the average quarterly value of its assets produce or are held for the production of passive income. For this purpose, passive income generally includes, among other items, dividends, interest, gains from certain commodities transactions, certain rents, royalties and gains from the disposition of passive assets. However, under the proposed Treasury regulations discussed below, interest or other income derived from the active conduct of banking business of a non-U.S. corporation that meets certain conditions will not be considered passive income.

We do not believe we were a PFIC for our most recent taxable year and we do not expect to be a PFIC for the current taxable year or in the foreseeable future, although there can be no assurance in this regard because our status as a PFIC depends, in part, on the application of complex U.S. federal income tax rules, which are subject to differing interpretations. Our belief is based in part on proposed Treasury regulations, which are proposed to be effective for taxable years beginning after 31 December 1994, and on estimates of our income and assets. Because the proposed Treasury regulations may not be finalized in their current form, the application of the proposed regulations is not entirely clear and the composition of our income and assets will vary over time, there can be no assurance that we were not or will not become a PFIC for any particular taxable year.

A non-U.S. corporation is classified as a PFIC in any year in which it meets either the income or asset test discussed above, which depends on the actual financial results for each year in question. Accordingly, it is possible that we may become a PFIC in the current or any future taxable year due to changes in our asset or income composition. In addition, the composition of our income and assets will be affected by how, and how quickly, we spend the cash we raise in offerings.

If we are a PFIC for any taxable year during which a U.S. Holder holds the Equity Shares, such U.S. Holder will be subject to special tax rules with respect to any "excess distribution" received and any gain realized from a sale or other disposition, including a pledge, of shares. Distributions received in a taxable year that are greater than 125% of the average annual distributions received during the shorter of the three preceding taxable years or a U.S. Holder's holding period for the Equity Shares will be treated as excess distributions. Under these special tax rules:

- the excess distribution or gain will be allocated ratably over a U.S. Holder's holding period for the Equity Shares;
- the amount allocated to the current taxable year, and any taxable year prior to the first taxable year in which we were a PFIC, will be treated as ordinary income; and
- the amount allocated to each other taxable year will be subject to tax at the highest tax rate in effect for that year and the interest charge applicable to underpayments of tax will be imposed on the resulting tax attributable to each such year.

The tax liability for amounts allocated to taxable years prior to the year of disposition or excess distribution in which we were a PFIC cannot be offset by any net operating losses for such years, and gains (but not losses) realized on the sale or other disposition of the Equity Shares cannot be treated as capital, even if a U.S. Holder holds the Equity Shares as capital assets. In addition, non-corporate U.S. Holders will not be eligible for reduced rates of taxation on any dividends received from us if we are a PFIC in the taxable year in which such dividends are paid or in the preceding taxable year. A U.S. Holder will be required to additional information with its U.S. federal income tax return if such U.S. Holder holds the Equity Shares in any year in which we are a PFIC.

If we are a PFIC and if any of our subsidiaries or other entities in which we, directly or indirectly, own equity are PFICs (collectively, "**Lower-tier PFICs**"), a U.S. Holder will be deemed to own its proportionate share of any Lower-tier PFICs and will be subject to U.S. federal income tax according to the PFIC rules described in the paragraph above on (i) certain distributions by a Lower-tier PFIC and (ii) a disposition of shares of a Lower-tier PFIC, in each case as if the U.S. Holder owned such shares directly, even though it has not received the proceeds of those distributions or dispositions directly. U.S. Holders should consult their tax advisors regarding the application of the PFIC rules to any of our subsidiaries.

In certain circumstances, in lieu of being subject to the excess distribution rules discussed above, a U.S. Holder may make an election to include gain on the stock of a PFIC as ordinary income under a mark-to-market method, provided that such stock is "regularly traded" on a "qualified exchange." In general, the Equity Shares will be treated as "regularly traded" for a given calendar year if more than a *de minimis* quantity of the Equity Shares is traded on a qualified exchange on at least 15 days during each calendar quarter of such calendar year. A non-U.S. securities exchange on which the Equity Shares are will be a "qualified exchange" if it is (i) regulated or supervised by a governmental authority of the country in which the market is located; (ii) has trading volume, listing, financial disclosure, surveillance, and other requirements designed to prevent fraudulent and manipulative acts and practices, to remove impediments to and perfect the mechanism of a free and open, fair and orderly, market, and to protect investors; and the laws of the country in which the exchange is located and the rules of the exchange ensure that such requirements are actually enforced; and (iii) the rules of the exchange effectively promote active trading of listed stocks. No assurance can be given that the Equity Shares will be regularly traded on a qualified exchange for purposes of the mark-to-market election.

If a U.S. Holder makes an effective mark-to-market election, such U.S. Holder will include in each year as ordinary income the excess of the fair market value of the Equity Shares at the end of the year over the adjusted tax basis in the Equity Shares. Such U.S. Holder will be entitled to deduct as an ordinary loss each year the excess of the adjusted tax basis in the Equity Shares over their fair market value at the end of the year, but only to the extent of the net amount previously included in income as a result of the mark-to-market election. A U.S. Holder's adjusted tax basis in the Equity Shares will be increased by the amount of any income inclusion and decreased by the amount of any deductions under the mark-to-market rules. Any distributions that we make would generally be subject to the rules discussed below under "—Distributions," except that the lower rate applicable to qualified dividend income would not apply. If a U.S. Holder makes a mark-to-market election it will be effective for the taxable year for which the election is made and all subsequent taxable years (provided that, for any subsequent taxable year in which we are not a

PFIC, a U.S. Holder will not include in income mark-to-market gain or loss) unless the Equity Shares are no longer regularly traded on a qualified exchange or the IRS consents to the revocation of the election. Because a mark-to-market election generally cannot be made for equity interests in Lower-tier PFICs, U.S. Holders generally will continue to be subject to the PFIC rules with respect to their indirect interest in any Lower-tier PFICs. As a result, distributions from, and dispositions of, Lower-tier PFICs, as well as certain other transactions, generally will be treated as distributions or dispositions subject to the rules above regarding excess distributions, even if a mark-to-market election is made. U.S. Holders are urged to consult their tax advisors about the availability and advisability of the mark-to-market election in their particular circumstances, as well as the impact of such election on interests in any Lower-tier PFICs.

Investors in certain PFICs can elect to be taxed on their share of the PFIC's ordinary income and net capital gain by making a qualified electing fund election (a "QEF election"), which, if made, would result in tax treatment different from (and generally less adverse than) the general tax treatment for PFICs described above under the excess distribution regime. We do not expect that a U.S. Holder will be eligible to make a QEF election with respect to the Equity Shares.

Each U.S. Holder is urged to consult its own tax advisor concerning the U.S. federal income tax consequences of holding shares if we are a PFIC in any taxable year during its holding period.

Information Reporting and Backup Withholding

A U.S. Holder may be subject to information reporting on amounts received by such U.S. Holder from a distribution on, or disposition of shares, unless such U.S. Holder establishes that it is exempt from these rules. If a U.S. Holder does not establish that it is exempt from these rules, it may be subject to backup withholding on the amounts received unless it provides a taxpayer identification number and otherwise complies with the requirements of the backup withholding rules. Backup withholding is not an additional tax and the amount of any backup withholding from a payment that is received will be allowed as a credit against a U.S. Holder's U.S. federal income tax liability and may entitle such U.S. Holder to a refund, provided that the required information is timely furnished to the IRS.

In addition, U.S. Holders should consult their tax advisors about any reporting obligations that may apply as a result of the acquisition, holding or disposition of the Equity Shares. Failure to comply with applicable reporting obligations could result in the imposition of substantial penalties.

LEGAL PROCEEDINGS

Our Bank, our Directors and our Subsidiary are, subject to various legal proceedings from time to time, mostly arising in the ordinary course of their business including criminal proceedings, civil proceedings, tax proceedings, labour, land related disputes and notices received from various regulators. These proceedings involving our Bank are primarily in the nature of recovery proceedings initiated by us in respect of advances made, pending before civil courts or the debts recovery tribunal(s), as the case may be, criminal cases filed by us in cases of dishonor of cheques or fraud cases, claims against our Bank in relation to erroneous or unauthorized debit from customer accounts, wrongful credit or dishonor of cheques, criminal and labour-related proceedings against our Bank, claims in relation to repossession of assets by the Bank, proceedings initiated under the SARFAESI Act, consumer claims for deficiency in service, claims involving forgery of documents, alleged frauds and suits for setting aside recovery proceedings initiated by our Bank and tax matters.

Except as disclosed below, there are no legal proceedings against our Bank, our Directors and our Subsidiary: (i) which are quantifiable and exceed ₹85.00 million (being 1% of the consolidated profit after tax for Financial Year 2017); (ii) which are criminal litigations against our Bank, our Directors or our Subsidiary or (iii) which our Bank believes could have a material adverse effect on the business, financial condition, profitability or results of operations of our Bank on a consolidated basis. Accordingly, we have not disclosed any legal proceedings involving our Bank, our Directors and our Subsidiary: (i) which are quantifiable and are below ₹85.00 million (being 1% of the consolidated profit after tax for Financial Year 2017); (ii) criminal litigations against our Bank, our Directors or our Subsidiary or (ii) which our Bank believes does not have a material adverse effect on the business, financial condition, profitability or results of operations of our Bank on a consolidated basis.

I. Litigation against our Bank

Criminal litigation against our Bank

1. S. B. Shethwala, Complaint Inspector, Octroi A.M.C, filed a criminal complaint dated January 9, 1993 against our Bank before the Metropolitan Magistrate Court, Ahmedabad for not producing original invoice of goods within 30 days at the time of submission of an import bill showing the value of import goods in violation of Octroi Standing Order, punishable under Octroi Act. The matter is currently pending.

Civil Litigation above the materiality threshold

1. Zoom Developers Private Limited and others filed a suit dated July 14, 2011 before the High Court of Judicature at Bombay, against Punjab National Bank, our Bank and other banks who were members of the consortium of banks that had extended credit facilities to Zoom Developers Private Limited. It was alleged that due to the failure of the consortium banks, the intermediary banks to whom they had issued bank guarantees and stand-by letter of credit on behalf of Zoom Developers Private Limited, invoked their respective bank guarantees and stand-by letter of credits on technical grounds. Thereafter, the consortium banks, including our Bank, allegedly, refused to issue additional bank guarantees as sanctioned earlier which resulted in Zoom Developers Private Limited's inability to meet its financial obligations. Zoom Developers Private Limited, through the suit filed before the High Court of Judicature at Bombay demanded that the consortium banks, including our Bank, jointly and severally pay them an aggregate amount of ₹109,207.60 million along with interest as damages, loss of estimated future profits and loss of goodwill and be restrained by a permanent order and injunction from taking possession of any of its moveable and immoveable properties. Our Bank along with the other consortium banks filed their written statement in response to the suit filed before the High Court of Judicature at Bombay challenging the allegations raised by Zoom Developers Private Limited. The matter is currently pending.

2. UBS AG filed a suit dated February 21, 2000 before the High Court of Judicature at Bombay against our Bank for reimbursement of an aggregate amount of ₹204.89 million along with interest for failure to reimburse UBS AG for payments made by it under three letters of credit issued by our Bank. Our Bank filed its written statement before the High Court of Judicature at Bombay in response to the suit filed by UBS AG wherein our Bank contested the validity of the transactions underlying the three letters of credit and informed that our Bank had already intimated UBS AG of the fraud perpetuated by Hamco Mining & Smelting Ltd and Frobevia S.A., Switzerland the applicant and beneficiary, respectively, to the three letter of credit facilities. The matter is currently pending.

3. PEC Limited has filed a suit dated January 29, 2008 before the Court of the City Civil Judge, Bangalore against our Bank and Paresh Exports Private Limited for recovery of an aggregate amount of ₹152.00 million (including interest) and payment of ₹7.50 million as damages. PEC Limited, Paresh Exports Private Limited and our Bank had entered into an arrangement whereby PEC Limited was required to assist Paresh Exports Private Limited in importing gold from overseas suppliers by establishing a usance letter of credit against fixed deposit receipts issued by our Bank. It was alleged by PEC Limited that the quantum of amount credited to PEC Limited's account pursuant to the fixed deposit receipts was not equivalent to the consideration payable for the gold received by Paresh Exports Private Limited and that our Bank and Paresh Exports Private Limited had connived with each other to cause huge monetary loss and damage to

the reputation of PEC Limited. Our Bank filed a written statement before the Court of City Civil Judge, Bangalore in response to the suit filed by PEC Limited challenging the liability of our Bank. The matter is currently pending.

Tax litigations above materiality threshold

1. Our Bank received a show cause notice from the Additional Director General, Directorate General of Central Excise Intelligence, Bangalore Zonal Unit dated March 31, 2015 demanding payment of ₹218.22 million along with interest and penalty in relation to the cenvat credit wrongly availed by our Bank in respect of deposit insurance service. Our Bank filed its reply to the show cause notice before the Commissioner of Central Excise, Kochi Commissionerate on May 14, 2015. Thereafter, Commissioner of Central Excise, Customs & Service Tax, Cochin through its order dated December 29, 2015 disallowed an amount of ₹218.22 million, being the cenvat credit wrongly availed by our Bank, demanded payment of a sum of ₹109.11 million being the credit wrongly availed and service tax short paid during the period 2009-2010 to 2012-2013, along with interest and imposed a penalty of ₹218.22 million under Rule 15(3) of the CENVAT Credit Rules, 2004 read with Section 78 of the Finance Act, 1994. Our Bank has filed its appeal before the Customs Excise and Service Tax Appellate Tribunal, Bangalore against the order of the Commissioner of Central Excise dated December 29, 2015. The matter is currently pending.

Actions taken by Statutory and Regulatory Authorities

1. Financial Intelligence Unit - India, Department of Revenue, Ministry of Finance, Government of India through its order dated August 28, 2015 imposed penalty of ₹0.20 million on our Bank for failure in detecting and reporting attempted suspicious transactions in violation of obligations laid down in Section 12 of the Prevention of Money Laundering Act, 2002. Our Bank filed an appeal dated October 6, 2015 against the order before the Appellate Tribunal at New Delhi. The matter is currently pending.

2. RBI issued a show cause notice dated April 18, 2016 citing violation of guidelines on import of goods and services, not ensuring on-going monitoring of transactions as per extant KPC/AML instructions and non-filing/delayed filing of suspicious transaction report and to give reasons why a penalty of ₹30.00 million should not be imposed on our Bank. Our Bank filed its submissions vide letter dated May 9, 2016 followed by personal hearing before RBI. Thereafter, RBI through its final order dated July 19, 2016 advised our Bank to strengthen our systems to meet the requirements under KYC-AML guidelines and FEMA in letter and in spirit on an on-going basis and no penalty was imposed on our Bank.

II. Litigation against our Directors

Criminal Litigations

3. Abdul Rahim Siddique filed a criminal complaint before the Chief Judicial Magistrate, Muzzafarpur, against India Infoline Limited and its directors, including our Director, Nilesh Vikamsey, alleging unauthorized trading, criminal breach of trust, cheating and forgery. The matter is currently pending.

4. Arunava Patra filed a criminal complaint before 4th Judicial Magistrate, Paschim Medinipore against India Infoline Limited and its directors, including our Director, Nilesh Vikamsey, alleging commission of offences under sections 163(4), 196(3), 301(5) and 372A(6) of the Companies Act and Sections 467 and 120B of Indian Penal Code, 1860. Indian Infoline Limited filed a quashing petition before the High Court, Kolkata seeking necessary directions against the process issued by the lower court. The High Court, Kolkata through its order dated June 18, 2015 granted stay on all further proceedings. The matter is currently pending.

Civil Litigations

1. Harish Devidas Thawai filed a commercial suit against IIFL Holdings Limited and its directors, including our Director, Nilesh Vikamsey, claiming losses, brokerage warehouse charges, etc in respect of the dues outstanding from National Spot Exchange. The matter is currently pending.

III. Material Frauds committed against our Bank in the last three years, and actions taken by our Bank

The table below sets out the details of material frauds committed against our Bank in the last three years:

S. No.	Fraud Committed By	Nature of Fraud	Brief Particulars of the fraud and the action taken by our Bank
1.	Blue Bird India Limited	Misappropriation and criminal breach of trust	Blue Bird India Limited had availed credit facilities from our Bank for an aggregate amount of ₹405.00 million. The account of Blue Bird India Limited became a non performing asset on March 31, 2010. Our Bank along with the consortium banks issued notice under section

S. No.	Fraud Committed By	Nature of Fraud	Brief Particulars of the fraud and the action taken by our Bank
			13(2) of SARFAESI Act on February 10, 2012 and took symbolic possession of the secured assets. The property was put for auction on July 30, 2014 but failed for want of bids. Our Bank has also initiated proceedings for recovery of amount and the matter is currently pending. One of the consortium banks also filed a complaint with CBI and investigation is progressing. Further, the consortium banks decided to report the account of Blue Bird India Limited as fraud to RBI. The total amount involved in the matter is ₹406.90 million.
2.	Zylog Systems Limited	Misappropriation and criminal breach of trust	Zylog Systems Limited was sanctioned a short term credit limit of ₹250.00 million by our Bank. Zylog Systems Limited submitted an export bill for USD 185850.00 drawn on Ultramatics Inc., USA and it was discounted by our Bank. Subsequently, our Bank received a letter from counsels of Ultramatics Inc., USA that the documents submitted by Zylog Systems Limited was bogus and that Ultramatics Inc., USA had not received the service mentioned in the invoice. Thereafter, our Bank was informed that Dena Bank has also reported fraud against Zylog Systems Limited. Upon examination of the matter, our Bank found instances of diversion of funds and submission of fake export bills by Zylog Systems Limited. Our Bank has filed a criminal complaint under Section 138 of Negotiable Instruments Act which is currently pending. The total amount involved in the matter is ₹255.51 milllion.
3.	R P Infosystems Limited	Submission of forged documents	A consortium of banks (including our Bank) had sanctioned fund based and non-fund based facilities aggregating up to ₹8,000 million to R P Infosystems Limited. IDBI bank, the consortium leader, reported fraud by C to RBI and filed a police complaint against R P Infosystems Limited. Further, the Central Vigilance Commission had advised IDBI Bank to treat the accounts of R P Infosystems Limited as fraud and make appropriate reporting to RBI. In light of the letter from the Central Vigilance Commission, the consortium banks (including our Bank) in their meeting have decided to treat the accounts of R P Infosystems Limited as fraud. Our Bank has also initiated recovery proceedings against R P Infosystems Limited and the matter is currently pending. The total amount involved in the matter is ₹100.00 million.
4.	Vikash Smelters and Alloys Limited	Misappropriation and criminal breach of trust	A consortium of banks including our Bank sanctioned ₹2,400.00 million as term loan to Vikash Smelters and Alloys Limited (out of which ₹1,000 million was sanctioned by our Bank). One of the unsecured creditors of Vikash Smelters and Alloys Limited initiated winding up proceedings against Vikash Smelters and Alloys Limited before the High Court of Calcutta. High Court of Calcutta through its order dated July 6, 2016 issued a winding up order and appointed official liquidator. Subsequently, RBI through its letter dated July 1, 2016 intimated our Bank that other banks have reported that the genuineness/ credentials of the suppliers of Vikash Smelters and Alloys Limited were doubtful and advised our Bank to investigate the account. Pursuant to our examinations, we had determined that the credentials of its supplier, Metrix Metal Industries was doubtful. Accordingly, our Bank has given its consent letter to the consortium for filing a joint petition before CBI. Our Bank has also initiated recovery proceedings against Vikash Smelters and Alloys Limited. The total amount involved in the matter is ₹99.61 million.
5.	Parekh Aluminex Limited	Misappropriation and diversion of funds	Our Bank has subscribed to NCD issued by Parekh Aluminex Limited for an aggregate amount of ₹250.00 million and also sanctioned a short term loan of ₹250.00 million to meet its working capital requirement. The short term loan was converted into regular cash credit facility on December 18, 2012, and our Bank was made part of

S. No.	Fraud Committed By	Nature of Fraud	Brief Particulars of the fraud and the action taken by our Bank
			Parekh Aluminex Limited's working capital consortium. RBI through its letter dated November 9, 2015 advised our Bank to investigate the operations in the account of Parekh Aluminex Limited and report fraud, if any. Pursuant to investigations conducted by our Bank, our Fraud Monitoring Group (FMG) in its meeting dated January 18, 2016 decided to report the account as fraud to RBI as it is found that there were instances of diversion of funds by Parekh Aluminex Limited. Further, our Bank has initiated recovery proceedings against Parekh Aluminex Limited. The total amount involved in the matter is ₹472.00 million.
6.	PSL Limited	Misappropriation and criminal breach of trust	Our Bank had sanctioned a short term loan of ₹1,000 million to the company during June 2012 for part financing along with other banks the contract value of ₹5,702.7 crores awarded to PSL Limited. RBI through its letter advised all member banks to investigate the operations of the borrowal account of PSL Limited regarding end use of funds and report fraud in case any fraudulent activity is observed. M/s T R Chadha & Co (TRC) was appointed to conduct a forensic audit on the company. Separately, our Bank investigated the transactions in the account of PSL Limited and observed diversion of funds aggregating to ₹1,050 million. Our Bank has filed a police complaint. The total amount involved is ₹1,103.40 miilion.
7.	Eskay Knit India Limited	Misappropriation and criminal breach of trust	Eskay Knit India Limited had availed working capital and term loans under consortium arrangements from the consortium banks, including our Bank. Our Bank sanctioned a term loan of ₹500 million on March 30, 2007 and cash credit limit of ₹140 million on December 15, 2009. The account of Eskay Knit India Limited became a non performing asset on June 30, 2012 and the accounts were restructured on March 28, 2013 with cut off date as on January 1, 2012. But the company could not operate satisfactorily and the corporate debt restructuring failed. M/s Haribhakti & Co LLP, external auditors were engaged to conduct forensic audit of Eskay Knit India Limited and based on their report our Bank reported Eskay Knit India Limited as fraud to RBI. Our Bank has also initiated recovery proceedings against Eskay Knit India Limited. Further, our Bank has given its consent letter to consortium for filing criminal case against Eskay Knit India Limited. The total amount involved is ₹312.88 million.
8.	Shree Raj Mahal Jewellers Limited	Misappropriation and criminal breach of trust	Shree Raj Mahal Jewellers Limited had availed loan under consortium arrangements with banks (including our Bank) for an aggregate amount of ₹1,250.00 million. Subsequently, RBI through its letter dated September 16, 2016 informed our Bank of the fraud in the borrowal account of Shree Raj Mahal Jewellers Limited with Bank of India and advised us to investigate the operations in the borrowal account of Shree Raj Mahal Jewellers Limited with us and report fraud, if any. Accordingly our Bank conducted an investigation and reported the account of Shree Raj Mahal Jewellers Limited as fraud. Our Bank filed a joint suit filed for symbolic possession of the property. Further, our Bank has given its consent letter to consortium for filing criminal case against Shree Raj Mahal Jewellers Limited. The total amount involved in the matter is ₹191.60 million.
9.	Kingfisher Airlines Limited	Misappropriation and criminal breach of trust	A bank guarantee limit of ₹1,000 million was sanctioned by our Bank on October 30, 2010 to Kingfisher Airlines Limited as part of consortium advance along with other banks. The account of Kingfisher Airlines Limited became a non performing asset on March 31, 2012. Subsequently, the lenders started recovery proceedings by initiating legal and SARFAESI actions. Out of the net proceeds realised by sale of pledged shares, our Bank has received ₹83.22 million. The dues outstanding from Kingfisher Airlines Limited as on

S. No.	Fraud Committed By	Nature of Fraud	Brief Particulars of the fraud and the action taken by our Bank
			date is ₹822.12 million. Our Bank initiated recovery proceedings and pursuant to a joint suit filed, recovery certificate was issued by the court. Further, our Bank has reported fraud in the account of Kingfisher Airlines Limited as central investigation agencies viz. CBI and Enforcement Directorate have suo motu initiated criminal proceedings against Kingfisher Airlines Limited. The total amount involved in the matter is ₹822.12 million.

In addition, our Bank reports on an individual basis all frauds to RBI. There are 188 frauds committed against our Bank. Our Bank has initiated various actions against these frauds including, filing police complaints, initiating recovery proceedings and filing matters before various judicial authorities.

IV. Details of default in repayment of (i) statutory dues; (ii) debentures and interest thereon; (iii) deposits and interest thereon; (iv) loan from any bank or financial institution and interest thereon

There is no default in repayment of (i) statutory dues; (ii) debentures and interest thereon; (iii) deposits and interest thereon; (iv) loan from any bank or financial institution and interest thereon.

V. Inquiry, inspections, investigations, prosecutions, fines imposed or compounding of offences under the Companies Act, 2013 or any previous company law in the last three years in the case of our Bank and our Subsidiary

There are no inquiry, inspections, investigations, prosecutions, fines imposed or compounding of offences under the Companies Act, 2013 or any previous company law involving our Bank or our Subsidiary during the last three years immediately preceding the year of circulation of this Placement Document.

STATUTORY AUDITORS

Our Bank's current Auditors are BSR & Co. LLP, Chartered Accountants and M.M. Nissim & Co., Chartered Accountants, have jointly audited the consolidated financial statements and standalone financial statements as at and for the financial years ended March 31, 2017, included in this Placement Document, and are the statutory auditors of our Bank as required by the Companies Act, the Banking Regulation Act, 1949, read with relevant guidelines and directions of RBI, and in accordance with the guidelines issued by the ICAI.

Our Bank's previous statutory auditors were Deloitte Haskins & Sells, Chartered Accountants and M P Chitale & Co., Chartered Accountants, who have jointly audited the consolidated financial statements and standalone financial statements as at and for the financial years ended March 31, 2016 and 2015, included in this Placement Document, and were the statutory auditors of our Bank as required by the Companies Act and the Banking Regulation Act, 1949, read with relevant guidelines and directions of RBI, and in accordance with the guidelines issued by the ICAI.

LEGAL MATTERS

Certain legal matters in connection with the Issue will be passed upon for us by Cyril Amarchand Mangaldas with respect to matters of Indian law.

Certain legal matters in connection with the Issue will be passed upon for the BRLMs by Shardul Amarchand Mangaldas & Co with respect to matters of Indian law and by Clifford Chance Pte Ltd with respect to matters of U.S. federal securities laws.

Each of Cyril Amarchand Mangaldas, Shardul Amarchand Mangaldas & Co and Clifford Chance Pte Ltd does not make, or purport to make, any statement in this document and is not aware of any statement in this document which purports to be based on a statement made by it and each of them makes no representation, express or implied, regarding, and takes no responsibility for, any statement in or omission from this document.

GENERAL INFORMATION

1. Our Bank was incorporated as The Travancore Federal Bank Limited Nedumpram on April 23, 1931 under the Travancore Companies Regulation, 1916. Our Bank's name was changed to "The Federal Bank Limited" on December 2, 1949. Our Bank was registered under the Indian Companies Act, 1956 on April 1, 1956 .Our Bank was licensed under the Banking Regulation Act, 1949, on July 11, 1959 and is a scheduled commercial bank under the Second Schedule of Reserve Bank of India Act, 1934.

2. Our Board of Directors, through the resolution passed at its meeting on April 28, 2017 and our Shareholders by way of the special resolution dated June 7, 2017 passed through postal ballot approved the Issue.

3. Our Bank has received in-principle approvals in terms of Regulation 28 of the SEBI Listing Regulations from each of BSE and NSE on June 21, 2017, to list the Equity Shares on the Stock Exchanges.

4. Copies of the Memorandum and Articles of Association will be available for inspection during usual business hours on any weekday between 10.00 a.m. to 1.00 p.m. (except public holidays), at the Registered and Corporate Office during the Bid/Issue Period.

5. Except as disclosed in this Placement Document, our Bank has obtained necessary consents, approvals and authorizations required in connection with the Issue.

6. Except as disclosed in this Placement Document, there has been no material adverse change in our Bank's financial condition since March 31, 2017, the date of the latest financial statements, prepared in accordance with Indian GAAP, included herein.

7. Except as disclosed in this Placement Document, there are no legal or arbitration proceedings against or affecting our Bank or its assets or revenues, nor is our Bank aware of any pending or threatened legal or arbitration proceedings, which are, or might be, material in the context of the Issue.

8. Our Bank's current Auditors are BSR & Co. LLP, Chartered Accountants and M.M. Nissim & Co., Chartered Accountants, have jointly audited the consolidated financial statements and standalone financial statements as at and for the financial years ended March 31, 2017, included in this Placement Document. Our Bank's previous statutory auditors were Deloitte Haskins & Sells, Chartered Accountants and M P Chitale & Co., Chartered Accountants, who have jointly audited the consolidated financial statements and standalone financial statements as at and for the financial years ended March 31, 2016 and 2015, included in this Placement Document.

9. Our Bank confirms that it is in compliance with the minimum public shareholding requirements as required under Securities (Contracts) Regulations Act, 1956, Securities (Contracts) Regulation Rules, 1957, SEBI Listing Regulations.

10. The Floor Price for the Equity Shares under the Issue is ₹117.04 per Equity Share which has been calculated in accordance with Chapter VIII of the SEBI ICDR Regulations. Our Bank has offered a discount of not more than 5% on the Floor Price in accordance with the approval of our Shareholders accorded on June 7, 2017 and Regulation 85(1) of the SEBI ICDR Regulations.

FINANCIAL STATEMENTS

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Independent Auditors' Report

To The Members of The Federal Bank Limited
Report on the Standalone Financial Statements

We have audited the accompanying standalone financial statements of **THE FEDERAL BANK LIMITED** ('the Bank'), which comprise the Balance Sheet as at 31 March 2017, the Profit and Loss Account, the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Standalone Financial Statements

The Bank's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ('the Act') with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Bank in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, provisions of Section 29 of the Banking Regulation Act, 1949 ('BR Act') and the circulars, guidelines and directions 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 the design, implementation and maintenance of 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 financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these standalone financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing ('the Standards') specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Independent Auditors' Report (Continued)

Report on the Standalone Financial Statements

Auditors' Responsibility (Continued)

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bank's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Bank's Directors, as well as evaluating the overall presentation of the financial statements.

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.

Opinion

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 BR Act, 1949 as well as the relevant requirements of the Act, in the manner so required for banking companies and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Bank as at 31 March 2017, its profit and its cash flows for the year then ended on that date.

Other Matters

The standalone financial statements of the Bank for the year ended 31 March 2016 were audited by other auditors who expressed an unmodified opinion on those statements on 30 April 2016.

Independent Auditors' Report (Continued)

Report on the Standalone Financial Statements

Report on Other Legal and Regulatory Requirements

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

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

(a) we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit and have found them to be satisfactory;

(b) the transactions of the Bank, which have come to our notice, have been within the powers of the Bank; and

(c) During the course of our audit we have visited 40 branches. Since the key operations of the Bank are automated with the key applications integrated to the core banking systems, the audit is carried out centrally as all the necessary records and data required for the purposes of our audit are available therein.

(d) The reports on the accounts of the 1,231 branches audited by branch auditors of the Bank appointed under section 143(8) the Companies Act, 2013 and unaudited return with respect to 1 branch have been forwarded to us and have been properly dealt with by us in preparing this report.

The disclosure required on holdings as well as dealings in Specified Bank Notes during the period from 8 November 2017 to 30 December 2017 as envisaged in notification GSR 308(E) dated 30 March 2017 issued by the Ministry of Corporate Affairs, is not applicable to the Bank. Refer Note No. 4.15 of Schedule 18 to the standalone financial statements.

Further, as required by Section 143 (3) of the Companies Act, 2013, we further 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 Balance Sheet, the Profit and Loss Account and the 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 Rule 7 of the Companies (Accounts) Rules, 2014 to the extent they are not inconsistent with the accounting policies prescribed by the RBI.

(e) on the basis of the written representations received from the directors as on 31 March 2017 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2017 from being appointed as a director in terms of Section 164 (2) of the Act.

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

Independent Auditors' Report (Continued)

Report on the Standalone Financial Statements

Report on Other Legal and Regulatory Requirements (Continued)

(g) with respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, 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 financial statements - Refer Schedule 12 and Note No. 4.7 of 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 No.4.12 of Schedule 18 to the standalone financial statements; and

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

For **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No: 101248W / W-100022

For **M.M. Nissim & Co.**
Chartered Accountants
Firm's Registration No: 107122W

Venkataramanan Vishwanath
Partner
Membership No: 113156
Mumbai
28 April 2017

Sanjay Khemani
Partner
Membership No: 044577
Mumbai
28 April 2017

ANNEXURE A to the Independent Auditor's Report of even date on the Standalone Financial Statements of The Federal Bank Limited

Report on the Internal Financial Controls under clause (i) of sub-section 3 of Section 143 of the Companies Act, 2013

We have audited the internal financial controls over financial reporting of The Federal Bank Limited ('the Bank') as at 31 March 2017 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

The Bank's Board of Directors 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 ('the Guidance Note') issued by the Institute of Chartered Accountants of India ('the ICAI'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Bank's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013 ('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 and the Standards on Auditing ('the Standards'), issued by the ICAI and deemed to be prescribed 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 auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

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

Meaning of Internal Financial Controls over Financial Reporting

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

ANNEXURE A to the Independent Auditor's Report of even date on the Standalone Financial Statements of The Federal Bank Limited (Continued)

Inherent Limitations of Internal Financial Controls over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, 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 and such internal financial controls over financial reporting were operating effectively as at 31 March 2017, 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 ICAI.

For **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No: 101248W / W-100022

For **M.M. Nissim & Co.**
Chartered Accountants
Firm's Registration No: 107122W

Venkataramanan Vishwanath
Partner
Membership No: 113156
Mumbai
28 April 2017

Sanjay Khemani
Partner
Membership No: 044577
Mumbai
28 April 2017

THE FEDERAL BANK LIMITED
BALANCE SHEET AS AT 31 MARCH 2017

(₹ in Thousands)

	Sch No.	As at 31 March 2017	As at 31 March 2016
CAPITAL AND LIABILITIES			
Capital	1	34,48,087	34,37,890
Reserves and Surplus	2	859,75,732	774,74,281
Deposits	3	9766,45,621	7917,17,068
Borrowings	4	589,73,233	511,45,666
Other Liabilities and Provisions	5	247,26,650	220,38,807
Total		**11497,69,323**	**9458,13,712**
ASSETS			
Cash and Balances with Reserve Bank of India	6	457,65,680	377,45,391
Balances with banks and money at call and short notice	7	287,56,058	164,52,709
Investments	8	2819,60,887	2515,54,942
Advances	9	7333,62,715	5809,01,448
Fixed assets	10	48,94,689	51,99,751
Other assets	11	550,29,294	539,59,471
Total		**11497,69,323**	**9458,13,712**
Contingent liabilities	12	2323,51,375	2025,35,743
Bills for collection		256,83,452	151,68,300
Significant Accounting Policies	17		
Notes on Accounts	18		
Schedules referred to above form an integral part of the Balance Sheet			

For and on behalf of the Board of Directors

Krishnakumar K
Deputy General Manager

Girish Kumar Ganapathy
Company Secretary

Ashutosh Khajuria
Executive Director & CFO

Ganesh Sankaran
Executive Director

K M Chandrasekhar
Chairman

Shyam Srinivasan
Managing Director & CEO

In terms of our report attached

For **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No:
101248W/W-100022

For **M. M. Nissim & Co.**
Chartered Accountants
Firm's Registration No:
107122W

Venkataramanan Vishwanath
Partner
Membership No: 113156

Sanjay Khemani
Partner
Membership No: 044577

Directors:

Nilesh S Vikamsey

Dilip G Sadarangani

Harish H Engineer

Grace Elizabeth Koshie

Shubhalakshmi Panse

C Balagopal

Place: Kochi
Date : 28th April 2017

THE FEDERAL BANK LIMITED
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2017

(₹ in Thousands)

	Sch No.	Year ended 31 March 2017	Year ended 31 March 2016
I. INCOME			
Interest earned	13	867,73,836	774,81,585
Other income	14	108,18,067	80,81,903
Total		**975,91,903**	**855,63,488**
II. EXPENDITURE			
Interest expended	15	562,47,436	524,04,476
Operating expenses	16	220,95,336	189,21,204
Provisions and contingencies		109,41,249	94,81,327
Total		**892,84,021**	**808,07,007**
III. PROFIT/LOSS			
Net profit for the year		**83,07,882**	**47,56,481**
Profit brought forward from Previous Year		105,69,814	109,23,675
		188,77,696	**156,80,156**
IV. APPROPRIATIONS			
Transfer to Revenue Reserve		13,14,286	4,54,011
Transfer to Statutory Reserve		20,76,971	11,89,120
Transfer to Capital Reserve		6,58,459	63,365
Transfer to/(from) Investment Reserve Account		(1,44,930)	(82,119)
Transfer to Special Reserve		4,60,000	3,20,000
Dividend (including tax/cess thereon) pertaining to previous year paid during the year		242	1,511
Proposed dividend (Note 4.2 E of Schedule 18)		-	12,03,289
Tax on proposed dividend (Note 4.2 E of Schedule 18)		-	2,45,274
Transfer to Share capital pursuant to issue of Bonus shares (Note 4.2 A of Schedule 18)		-	17,15,891
Balance carried over to Balance Sheet		145,12,668	105,69,814
Total		**188,77,696**	**156,80,156**
Earnings per Share (Face value of ₹ 2/- each) (₹) (Note 4.1 of Schedule 18)			
Basic		4.83	2.77
Diluted		4.76	2.75
Significant Accounting policies	17		
Notes on Accounts	18		
Schedules referred to above form an integral part of the Profit and Loss account			

For and on behalf of the Board of Directors

Krishnakumar K Deputy General Manager	Girish Kumar Ganapathy Company Secretary	Ashutosh Khajuria Executive Director & CFO	Ganesh Sankaran Executive Director
		K M Chandrasekhar Chairman	Shyam Srinivasan Managing Director & CEO

In terms of our report attached

Directors:

For **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No:
101248W/W-100022

For **M. M. Nissim & Co.**
Chartered Accountants
Firm's Registration No:
107122W

Venkataramanan Vishwanath
Partner
Membership No: 113156

Sanjay Khemani
Partner
Membership No: 044577

Nilesh S Vikamsey

Dilip G Sadarangani

Harish H Engineer

Grace Elizabeth Koshie

Shubhalakshmi Panse

C Balagopal

Place: Kochi
Date : 28th April 2017

THE FEDERAL BANK LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH, 2017

(` in Thousands)

	Year ended 31 March 2017	Year ended 31 March 2016
Cash Flow from Operating Activities		
Net Profit before taxes	1,30,64,982	71,96,481
Adjustments for:		
Depreciation on Bank's Property	12,21,731	10,54,468
Depreciation on Investments	2,42,010	1,67,434
Amortisation of Premium on Held to Maturity Investments	4,76,526	3,53,411
Provision for Non Performing Investments	53,500	6,34,189
Provision / Charge for Non Performing Assets	40,51,246	55,53,173
Provision on Standard Assets	7,85,000	2,95,000
(Profit)/Loss on sale of fixed assets (net)	(957)	3,406
Provision for Restructured assets	67,564	(2,08,598)
Provision for Other Contingencies	9,84,829	6,00,129
	2,09,46,431	**1,56,49,093**
Adjustments for working capital changes:-		
(Increase)/ Decrease in Investments *(excluding Held to Maturity Investments)*	(82,64,657)	(4,41,85,989)
(Increase)/ Decrease in Advances	(15,65,12,514)	(7,36,04,707)
(Increase)/ Decrease in Other Assets	(18,11,783)	10,83,013
Increase/ (Decrease) in Deposits	18,49,28,553	8,34,67,140
Increase/ (Decrease) in Other liabilities and provisions	22,99,013	27,75,901
Direct taxes paid	(40,15,140)	(3,77,005)
Net Cash Flow from / (Used in) Operating Activities	**3,75,69,903**	**(1,51,92,555)**
Cash Flow from Investing Activities		
Purchase of Fixed Assets	(9,40,005)	(16,02,531)
Proceeds from Sale of Fixed Assets	24,294	11,220
(Increase)/ Decrease in Held to Maturity Investments	(2,29,13,323)	2,15,00,187
Net Cash generated / (Used in) Investing Activities	**(2,38,29,034)**	**1,99,08,876**
Cash Flow from Financing Activities		
Proceeds from Issue of Share Capital (ESOS)	10,196	8,693
Proceeds from Share Premium	1,98,169	2,15,627
Repayment of Subordinate Debt	(20,00,000)	-
Increase/(Decrease) in Borrowings (Excluding Subordinate Debt)	98,27,567	37,27,255
Dividend Paid (Including Tax on Dividend)	(14,48,805)	(22,69,854)
Net Cash generated from financing Activities	**65,87,127**	**16,81,721**
Effect of exchange fluctuation on translation reserve	**(4,358)**	**93**
Net Increase in Cash and Cash Equivalents	**2,03,23,638**	**63,98,135**

(` in Thousands)

	Year ended 31 March 2017	Year ended 31 March 2016
Cash and Cash Equivalents at the beginning of year	5,41,98,100	4,77,99,965
Cash and Cash Equivalents at the end of year	7,45,21,738	5,41,98,100

Note:
Cash and cash equivalents comprise of cash on hand (including foreign currency notes), Balances with Reserve Bank of India, Balance with Banks and money at call and short notice (Refer schedules 6 and 7 of the Balance sheet)

For and on behalf of the Board of Directors

Krishnakumar K
Deputy General Manager

Girish Kumar Ganapathy
Company Secretary

Ashutosh Khajuria
Executive Director & CFO

Ganesh Sankaran
Executive Director

K M Chandrasekhar
Chairman

Shyam Srinivasan
Managing Director & CEO

In terms of our report attached

For **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No:
101248W/W-100022

For **M. M. Nissim & Co.**
Chartered Accountants
Firm's Registration No:
107122W

Venkataramanan Vishwanath
Partner
Membership No: 113156

Sanjay Khemani
Partner
Membership No: 044577

Directors:

Nilesh S Vikamsey

Dilip G Sadarangani

Harish H Engineer

Grace Elizabeth Koshie

Shubhalakshmi Panse

C Balagopal

Place: Kochi
Date : 28th April 2017

SCHEDULES FORMING PART OF THE BALANCE SHEET

(₹ in Thousands)

	As at 31 March 2017	As at 31 March 2016
SCHEDULE 1 - CAPITAL		
Authorised Capital 250,00,00,000 (Previous year 250,00,00,000) Equity Shares of ₹ 2/- each	50,00,000	50,00,000
Issued Capital 172,53,94,459 (Previous year 172,02,95,889) Equity Shares of ₹ 2/-each	34,50,789	34,40,592
Subscribed, Called-up and Paid-up Capital 172,40,45,414 (Previous year 171,89,46,844) Equity Shares of ₹2/-each	34,48,091	34,37,894
Less: Calls in arrears	4	4
Total	**34,48,087**	**34,37,890**
Also refer Note 4.2 of Schedule 18		

SCHEDULES FORMING PART OF THE BALANCE SHEET

(₹ in Thousands)

	As at 31 March 2017	As at 31 March 2016
SCHEDULE 2 - RESERVES AND SURPLUS		
I. Statutory Reserve		
Opening balance	185,93,244	174,04,124
Additions during the year	20,76,971	11,89,120
	206,70,215	**185,93,244**
II. Capital Reserves		
(a) Revaluation Reserve		
Opening balance	50,091	50,091
Deductions during the year	-	-
	50,091	**50,091**
(b) Others		
Opening balance	24,16,138	23,52,773
Additions during the year*	6,58,459	63,365
	30,74,597	**24,16,138**
Subtotal	**31,24,688**	**24,66,229**
III. Share premium		
Opening balance	250,84,585	248,68,958
Additions during the year#	1,98,169	2,15,627
	252,82,754	**250,84,585**
IV. Revenue and Other Reserves		
a) Revenue Reserve		
Opening Balance	149,71,562	145,17,551
Additions during the year	13,14,286	4,54,011
Deductions during the year	-	-
	162,85,848	**149,71,562**
b) Investment Fluctuation Reserve		
Opening Balance	18,97,200	18,97,200
	18,97,200	**18,97,200**
c) Special Reserve (As per section 36(1)(viii) of Income Tax Act)		
Opening balance	32,09,900	28,89,900
Addition during the year	4,60,000	3,20,000
	36,69,900	**32,09,900**
V. Investment Reserve Account		
Opening Balance	3,80,651	4,62,770
Additions during the year	-	-
Deductions during the year (Refer Note 1.2.2(d) of Schedule 18)	1,44,930	82,119
	2,35,721	**3,80,651**
VI. Foreign Currency Translation Reserve		
Opening Balance	93	-
Additions during the year [Refer Schedule 17 (4.5)]	(4,358)	93
	(4,265)	**93**
VII. Contingency Reserve		
Opening balance	3,01,003	3,01,003
	3,01,003	**3,01,003**
VIII. Balance in Profit and Loss Account	**145,12,668**	**105,69,814**
Total	**859,75,732**	**774,74,281**

* - Includes Profit appropriated to Capital Reserve (net of applicable taxes and transfer to statutory reserve) on Gain on sale of Held to Maturity Investments ₹ 658,459 Thousands (Previous year ₹ 63,365 Thousands)

- Represents amount received on exercise of Employee stock options

THE FEDERAL BANK LIMITED

SCHEDULES FORMING PART OF THE BALANCE SHEET

(₹ in Thousands)

	As at 31 March 2017	As at 31 March 2016
SCHEDULE 3 - DEPOSITS		
A. I. Demand Deposits		
i. From Banks	13,01,173	13,13,810
ii. From Others	552,50,595	449,90,025
	565,51,768	**463,03,835**
II. Savings Bank Deposits	**2639,76,655**	**2142,22,059**
III. Term Deposits		
i. From Banks	182,58,525	51,39,728
ii. From Others	6378,58,673	5260,51,446
	6561,17,198	**5311,91,174**
Total	**9766,45,621**	**7917,17,068**
B. I. Deposits of branches in India	9766,45,621	7917,17,068
II. Deposits of branches outside India	-	-
Total	**9766,45,621**	**7917,17,068**
SCHEDULE 4 - BORROWINGS		
I.Borrowings in India		
i. Reserve Bank of India	-	293,80,000
ii. Other Banks #	124,97,666	4,72,000
iii. Other institutions and agencies ##	326,47,606	166,94,986
	451,45,272	**465,46,986**
II.Borrowings outside India	138,27,961	45,98,680
Total	**589,73,233**	**511,45,666**
Secured borrowings included in I and II above	118,14,363	81,20,683
# Includes Subordinated Debt of ₹ NIL (Previous Year ₹ 322,000 Thousands) in the nature of Non Convertible debentures (included in Tier - II capital).		
## Borrowings from other Institutions and agencies include subordinated Debt of ₹ NIL (Previous Year ₹1,678,000 Thousands) in the nature of Non Convertible Debentures (included in Tier - II capital).		
SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS		
I. Bills Payable	68,464	93,265
II. Inter - office adjustments (Net)	31,09,610	21,49,956
III. Interest accrued	31,52,044	23,24,723
IV. Others (including provisions)*	183,96,532	174,70,863
Total	**247,26,650**	**220,38,807**
*Includes :-		
(a) Contingent provision against standard assets	39,49,281	31,64,281
(b) Proposed Dividend (Refer Note 4.2 E of Schedule 18)	-	12,03,289
(c) Tax on Proposed Dividend (Refer Note 4.2 E of Schedule 18)	-	2,45,274

SCHEDULES FORMING PART OF THE BALANCE SHEET

(₹ in Thousands)

	As at 31 March 2017	As at 31 March 2016
SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA		
I. Cash in hand (including foreign currency notes)	62,13,235	55,77,729
II. Balance with Reserve Bank of India		
i. in Current Accounts	395,52,445	321,67,662
ii. in Other Accounts	-	-
Total	**457,65,680**	**377,45,391**
SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE		
I. In India		
i. Balances with banks		
a. in Current Accounts	12,76,675	46,23,025
b. in Other Deposit Accounts	4,05,000	5,07,000
ii. Money at call and short notice		
a. With Banks	-	-
b. With other institutions	145,00,000	-
Total	**161,81,675**	**51,30,025**
II. Outside India		
i. in Current Accounts	19,04,170	3,90,609
ii. in Other Deposit Accounts	103,94,600	109,32,075
iii. Money at call and short notice	2,75,613	-
Total	**125,74,383**	**113,22,684**
Grand Total (I and II)	**287,56,058**	**164,52,709**

SCHEDULES FORMING PART OF THE BALANCE SHEET

(₹ in Thousands)

	As at 31 March 2017	As at 31 March 2016
SCHEDULE 8 - INVESTMENTS		
I. Investments in India in :		
i. Government Securities ##	2156,54,105	1994,19,703
ii. Other approved Securities	-	-
iii. Shares	21,75,944	15,54,363
iv. Debentures and Bonds	140,76,123	169,90,389
v. Subsidiaries/ Joint Ventures $	39,80,000	39,80,000
vi. Others @	460,65,965	296,03,955
Total	**2819,52,137**	**2515,48,410**
II. Investments outside India - Shares	8,750	6,532
Grand Total (I and II)	**2819,60,887**	**2515,54,942**
Gross Investments		
In India	2833,20,153	2526,19,901
Outside India	9,344	8,141
	2833,29,497	**2526,28,042**
Depreciation/ Provision for Investments		
In India	13,68,016	10,71,491
Outside India	594	1,609
	13,68,610	**10,73,100**
Net Investments		
In India	2819,52,137	2515,48,410
Outside India	8,750	6,532
	2819,60,887	**2515,54,942**

Securities costing ₹ 74,435,550 Thousands (Previous Year ₹ 41,341,696 Thousands) pledged for availment of fund transfer facility, clearing facility and margin requirements

@ Includes:

(₹ in Thousands)

Particulars	As at 31 March 2017	As at 31 March 2016
Pass through certificates (PTCs)	9,99,996	63,573
Certificate of Deposits	168,73,221	118,38,290
Commercial Paper	205,03,558	110,92,995
Venture Capital Funds (VCFs)	2,16,941	3,81,198
Security Receipts	74,72,064	62,27,571
Others	185	328
	460,65,965	**296,03,955**

SCHEDULES FORMING PART OF THE BALANCE SHEET

(₹ in Thousands)

	As at 31 March 2017	As at 31 March 2016
SCHEDULE 9 - ADVANCES (NET OF PROVISIONS)		
A. i. Bills purchased and discounted	256,07,697	140,41,982
ii. Cash credits, overdrafts and loans repayable on demand	3724,88,016	3240,66,663
iii. Term loans	3352,67,002	2427,92,803
Total	**7333,62,715**	**5809,01,448**
B. i. Secured by tangible assets $	6153,00,818	4862,38,853
ii. Covered by Bank/Government guarantees #	223,14,387	213,15,370
iii. Unsecured	957,47,510	733,47,225
Total	**7333,62,715**	**5809,01,448**
C. I. Advances in India		
i. Priority Sectors	2013,55,767	1852,93,996
ii. Public Sector	41,49,361	52,52,443
iii. Banks	1,36,146	74,739
iv. Others	5139,54,351	3875,25,563
Total	**7195,95,625**	**5781,46,741**
II.Advances outside India (Refer note 3.11 of Schedule 18)		
i. Due from Banks	6,61,437	-
ii. Due from Others		
a) Bills purchased and discounted	-	-
b) Syndicated Loans	71,24,583	-
c) Others	59,81,070	27,54,707
Total	**137,67,090**	**27,54,707**
Grand Total (C I and C II)	**7333,62,715**	**5809,01,448**
$ Includes Advances against book debts		
# Includes Advances against L/Cs issued by banks		

SCHEDULES FORMING PART OF THE BALANCE SHEET

(₹ in Thousands)

	As at 31 March 2017	As at 31 March 2016
SCHEDULE 10 - FIXED ASSETS		
I OWNED ASSETS		
a.Premises #		
Gross Block		
At the beginning of the year	23,39,586	22,97,653
Additions during the year	83,064	41,933
Deductions during the year	-	-
Closing Balance	**24,22,650**	**23,39,586**
Depreciation		
As at the beginning of the year	7,96,102	7,41,164
Charge for the Year	54,391	54,938
Deductions during the year	-	-
Depreciation to date	**8,50,493**	**7,96,102**
Net Block	**15,72,157**	**15,43,484**
b.Other fixed assets (including furniture and fixtures)		
Gross Block		
At the beginning of the year	95,49,969	79,73,192
Additions during the year	8,65,296	16,68,815
Deductions during the year	1,78,016	92,038
Closing Balance	**102,37,249**	**95,49,969**
Depreciation		
As at the beginning of the year	60,51,299	51,29,180
Charge for the year	11,67,340	9,99,530
Deductions during the year	1,54,680	77,411
Depreciation to date	**70,63,959**	**60,51,299**
Net Block	**31,73,290**	**34,98,670**
II. Capital Work in progress (Including Capital Advances)	**1,49,242**	**1,57,597**
Total (I & II)	**48,94,689**	**51,99,751**

 # Includes buildings constructed on leasehold land at different places having original cost of ₹ 663,428 Thousands (Previous Year ₹ 655,643 Thousands) and Written down value of ₹ 500,797 Thousands (Previous Year ₹ 512,528 Thousands) with remaining lease period varying from 59 - 71 years

SCHEDULES FORMING PART OF THE BALANCE SHEET

(₹ in Thousands)

	As at 31 March 2017	As at 31 March 2016
SCHEDULE 11 - OTHER ASSETS		
I. Inter - office adjustments (net)	-	-
II. Interest accrued	62,94,853	49,37,172
III. Tax paid in advance/Tax Deducted at source (Net of provision)	52,52,617	62,98,477
IV. Stationery and Stamps	49,489	45,485
V. Non-banking assets acquired in satisfaction of claims*	26,451	15,430
VI. Others #	434,05,884	426,62,907
Total	**550,29,294**	**539,59,471**
* - Includes certain Non-Banking assets acquired in satisfaction of claims which are in the process of being transferred in the Bank's name		
# Includes		
(a)Priority sector shortfall deposits	338,90,279	334,57,992
(b) Deferred Tax Asset (Net)	8,59,143	5,55,243
SCHEDULE 12 - CONTINGENT LIABILITIES		
I. Claims against the Bank not acknowledged as debts	38,04,733	11,08,668
II. Liability on account of outstanding forward exchange contracts	1645,67,630	1424,21,170
III. Guarantees given on behalf of constituents - in India	479,54,495	439,96,473
IV. Acceptances, endorsements and other obligations	141,75,134	132,05,034
V. Other items for which the Bank is contingently liable@	18,49,383	18,04,398
Total	**2323,51,375**	**2025,35,743**
(Refer Note 4.7 of Schedule 18) @ - includes ₹ 932,590 Thousands (Previous Year : ₹ 773,328 Thousands) being amount transferred to DEAF Cell, RBI and outstanding, as per RBI circular DBOD.No.DEAF Cell.BC.114/30.01.002/2013-14 (Refer Note 3.16 of Schedule 18).		

THE FEDERAL BANK LIMITED

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT

(₹ in Thousands)

	Year ended 31 March 2017	Year ended 31 March 2016
SCHEDULE 13 - INTEREST EARNED		
I. Interest/discount on advances/bills	654,56,781	566,93,108
II. Income on investments	180,13,971	176,30,942
III. Interest on balances with Reserve Bank of India and other inter-bank funds	9,89,331	5,59,630
IV. Others*	23,13,753	25,97,905
Total	**867,73,836**	**774,81,585**
* - Includes interest on Income tax refunds amounting to ₹ 468,420 Thousands (Previous year ₹ 408,492 Thousands) accounted based on Assessment orders received.		
SCHEDULE 14 - OTHER INCOME		
I. Commission, exchange and brokerage	57,60,610	44,07,494
II. Profit on sale of investments (Net)	30,86,508	12,75,129
III. Profit on revaluation of investments (Net)	-	-
IV. Profit / Loss on sale of land, buildings and other assets (Net)	957	(3,406)
V. Profit on foreign exchange transactions (Net)	12,76,827	13,04,908
VI. Income earned by way of dividends etc. from companies in India	-	-
VII. Miscellaneous income [Includes Recoveries in assets written off ₹ 552,080 Thousands (Previous year ₹ 889,322 Thousands)]	6,93,165	10,97,778
Total	**108,18,067**	**80,81,903**

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT

(₹ in Thousands)

	Year ended 31 March 2017	Year ended 31 March 2016
SCHEDULE 15 - INTEREST EXPENDED		
I. Interest on deposits	540,35,999	506,14,000
II. Interest on Reserve Bank of India/Inter bank borrowings	2,23,887	89,818
III.Others	19,87,550	17,00,658
Total	**562,47,436**	**524,04,476**
SCHEDULE 16 - OPERATING EXPENSES		
I. Payments to and provisions for employees	116,37,522	105,28,542
II. Rent, taxes and lighting	21,65,405	20,33,856
III. Printing and stationery	2,69,648	1,70,859
IV. Advertisement and publicity	1,08,899	45,536
V. Depreciation on Bank`s property	12,21,731	10,54,468
VI. Directors' fees, allowances and expenses	19,338	17,223
VII. Auditors' fees and expenses		
(including branch auditors' fees and expenses)	74,766	73,642
VIII.Law charges	1,01,213	83,475
IX. Postage, Telegrams, Telephones etc	5,56,921	4,68,985
X. Repairs and maintenance	6,08,094	5,58,496
XI. Insurance	8,47,660	7,36,995
XII. Other expenditure#	44,84,139	31,49,127
Total	**220,95,336**	**189,21,204**
# - Includes expenditure on Corporate Social Responsibility - ₹ 154,157 Thousands (Previous Year: ₹ 123,027 Thousands)		

THE FEDERAL BANK LIMITED

SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES APPENDED TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2017

1. Background

The Federal Bank Limited ('the Bank') was incorporated in 1931 as Travancore Federal Bank Limited to cater to the banking needs of Travancore Province. It embarked on a phase of sustained growth under the leadership of Late K.P. Hormis. The Bank has a network of 1273 branches / offices in India and provides retail and corporate banking, para banking activities such as debit card, third party product distribution etc., treasury and foreign exchange business. The bank is governed by the Banking Regulation Act, 1949 and other applicable Acts / Regulations. The Bank's shares are listed on BSE Limited and National Stock Exchange of India Limited. The GDRs issued by the Bank in 2006 have been listed on London Stock Exchange. The bank had set up an International Financial Service Centre (IFSC) Banking unit (IBU) in Gujarat International Finance Tec-City (GIFT City) in line with global financial centres of Singapore and Dubai. IBU at Gift city is equivalent to an Offshore Banking unit, for all regulatory purposes.

2. Basis of preparation

The financial statements have been prepared in accordance with requirements prescribed under the Third Schedule (Form A and Form B) of the Banking Regulation Act, 1949. The accounting and reporting policies of the bank used in the preparation of these financial statements conform to Generally Accepted Accounting Principles in India ("Indian GAAP"), the circulars and guidelines issued by the Reserve Bank of India ('RBI') from time to time and the Accounting Standards prescribed under Section 133 of the Companies Act, 2013 ("the Act") and the relevant provisions of the Act, as applicable and current practices prevailing within the banking industry in India. The Bank follows the historical cost convention and accrual method of accounting in the preparation of the financial statements, except in the case of interest income on Non-Performing Assets (NPAs) and loans under Scheme for Sustainable Structuring of Stressed Assets (S4A) and Strategic Debt restructuring (SDR) scheme of RBI where it is recognised upon realisation as per RBI guidelines. The accounting policies adopted in the preparation of financial statements are consistent with those followed in the previous year.

3. Use of estimates

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

4. Significant accounting policies

Significant Change in Accounting Policy:
Proposed Dividend

In terms of revised Accounting Standard (AS) 4 "Contingencies and Events occurring after the Balance sheet date" as notified by the Ministry of Corporate affairs through amendments to Companies (Accounting Standards) Amendment Rules, 2016 dated March 30, 2016, Bank has not accounted for proposed dividend as a liability as at March 31, 2017. Proposed dividend was however accounted as a liability as at March 31, 2016, in line with existing accounting standard applicable at that time.

4.1 Revenue Recognition

- Interest income is recognised on an accrual basis except interest income on non-performing assets, loans under Scheme for Sustainable Structuring of Stressed Assets (S4A) and Strategic Debt restructuring (SDR) scheme of RBI which is recognised upon receipt in accordance with AS-9, Revenue Recognition as prescribed under Section 133 of the Companies Act, 2013 and as specified in RBI guidelines.

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

- The recoveries made from NPA accounts are appropriated first towards unrealized interest/income debited to borrowers accounts, then expenditure/out of pocket expenses incurred and lastly towards principal dues.
- 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.

4.2 ***Advances***

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

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

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

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

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

The Bank maintains general provision for standard assets including credit exposures computed as per the current marked to market values of interest rate and foreign exchange derivative contracts, in accordance with the guidelines and at levels stipulated by RBI from time to time – Farm Credit to agricultural activities and Small and Micro Enterprises (SMEs) 0.25%, Commercial Real Estate at 1%, restructured advances at 5%, teaser rate housing loans at 2%, commercial real estate- residential housing at 0.75% and for other sectors at 0.40%.

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 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.

Loss on sale of assets to Asset Reconstruction Companies

The RBI issued guidelines on sale of non-performing advances on February 26, 2014. In accordance with these guidelines, if the sale of non- performing advances is at a price below the net book value, the shortfall is charged to the Profit and Loss Account spread over a period of two years. 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.

4.3 ***Country risk***

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

4.4 ***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)

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

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

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

Transfer of securities between Categories

Transfer of securities between categories is done at the lower of the acquisition cost / book value / market value on the date of the transfer and the depreciation, if any, on such transfer is fully provided for, as per RBI guidelines.

Acquisition Cost

In determining the acquisition cost of the Investment:

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

Valuation

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

a) Held for Trading /Available for Sale – Investments classified under the AFS and HFT categories are marked-to-market. The market/fair value of quoted investments included in the 'AFS' and 'HFT' categories is the Market Price of the Scrip as available from the trades/ quotes on the stock exchanges or prices declared by Primary Dealers Association of India ('PDAI') jointly with Fixed Income Money Market and Derivative Associations of India ('FIMMDA'), periodically. Net depreciation, if any, within each category of each investment classification is recognised in Profit and Loss Account. The net appreciation, if any, under each category of each Investment is ignored. 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 of government securities are 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 and Certificate of Deposits being discounted instruments, are valued at carrying cost.

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

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

    - in case of unquoted bonds, debentures and preference shares where interest/dividend is received regularly (i.e. not overdue beyond 90 days), the market price is derived based on the Yield to Maturity (YTM) for Government Securities as published by FIMMDA/ PDAI and suitably marked up for credit risk applicable to the credit rating of the instrument. The matrix for credit risk mark-up for each categories and credit ratings along with residual maturity issued by FIMMDA are adopted for this purpose;
    - in case of bonds and debentures (including Pass Through Certificates or PTCs) where interest is not received regularly (i.e. overdue beyond 90 days), the valuation is in accordance with prudential norms for provisioning as

prescribed by RBI;

- Equity shares, for which current quotations are not available or where the shares are not quoted on the stock exchanges, are valued at break-up value (without considering revaluation reserves, if any) which is ascertained from the company's latest Balance Sheet. In case the latest Balance Sheet is not available, the shares are valued at Re. 1/- per company;
- Depreciation on equity shares acquired and held by the Bank under SDR scheme is provided over a period of four calendar quarters from the date of conversion of debt into equity in accordance with the RBI guidelines.
- Units of Venture Capital Funds (VCF) held under AFS category where current quotations are not available are marked to market based on the Net Asset Value (NAV) shown by VCF as per the latest audited financials of the fund. In case the audited financials are not available for a period beyond 18 months, the investments are valued at Re.1/- per VCF. Investment in unquoted VCF after 23rd August, 2006 are categorised under HTM category for the initial period of three years and valued at cost as per RBI guidelines;
- Investment in security receipts are valued as per the Net Asset Value (NAV) obtained from the issuing Reconstruction Company /Securitisation Company.

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

g) The Bank follows trade date method of accounting for purchase and sale of investments, except for Government of India and State Government securities where settlement date method of accounting is followed in accordance with RBI Guidelines.

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

Disposal of Investments

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

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

Repo and Reverse Repo transactions

In accordance with the RBI guidelines repo and reverse repo transactions in government securities are reflected as borrowing and lending transactions respectively. Borrowing cost on repo transactions is accounted for as interest expense and revenue on reverse repo is accounted for as interest income.

Pursuant to RBI Circular FMRD.DIRD.10/14.03.002/2015-16 dated May 19, 2016, as amended, the bank has considered its repo/reverse repo transactions under Liquidity Adjustment Facility (LAF) and Marginal Standing Facility (MSF) of RBI as

Borrowings/Lending, as the case may be. Hitherto, the repo/ reverse repo transactions under Liquidity Adjustment Facility (LAF) and Marginal Standing Facility (MSF) of RBI were included under Investments.

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. Such short positions are categorized under HFT category. These positions are marked –to-market along with the other securities under HFT Portfolio and resultant mark-to-market gains/losses are accounted for as per the relevant RBI guidelines for valuation of Investments discussed earlier.

4.5 **Transactions involving foreign exchange**

Foreign currency income and expenditure items of domestic operations are translated at the exchange rates prevailing on the date of the transaction. Income and expenditure items of non- integral foreign operations (foreign branches) are translated at quarterly average closing rates.

Foreign currency monetary items of domestic operation are translated at the closing exchange rates notified by Foreign Exchange Dealer's Association of India (FEDAI) as at the Balance sheet date and the resulting net valuation profit or loss is recognized in the profit and loss account.

Both Monetary and Non- Monetary foreign currency Assets and liabilities of Non-Integral Foreign Operations are translated at closing exchange rates notified by FEDAI at the balance sheet date and 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.

Foreign exchange spot and forward Contracts (Other than Foreign exchange swaps taken to hedge Federal Rupee plus deposits denominated in JPY) outstanding as at the Balance Sheet date are revalued at the closing Spot and Forward Rates respectively as notified by FEDAI and at interpolated 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 directed by FEDAI to consider profit or loss on present value basis, the forward profit or loss on the deals are discounted till the valuation date using the discounting yields. The resulting profit or loss on valuation is recognised in the Profit and Loss Account.

Foreign exchange swaps taken to hedge Federal Rupee plus deposits denominated in JPY are translated at the prevailing spot rate at the time of swap. The Premium/ Discount on the swap arising out of the difference in the exchange rate of the swap date and maturity date of the underlying forward exchange contract is amortised over the period of the swap and the same is recognised 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

4.6 **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 other than those designated as hedges are recognised in the Profit and Loss Account.

4.7 **Fixed assets and depreciation**

Fixed assets are carried at cost of acquisition less accumulated depreciation and impairment, if any. Cost includes cost of purchase and all expenditure like freight, duties, taxes and incidental expenses related to the acquisition and installation of the asset.

Capital work-in-progress includes cost of fixed assets that are not ready for their intended use and also 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 a straight-line basis at the rates and manner prescribed in Schedule II of the Companies Act, 2013, 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. Improvement to leased Premises are depreciated over 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.

Depreciation on assets sold during the year is recognised on a pro-rata basis till the date of sale.

Profit on sale of premises is appropriated to Capital Reserve account in accordance with RBI instructions.

4.8 **Impairment of Assets**

The carrying values of assets at each balance sheet date are reviewed for impairment, if any indication of impairment exists. If the carrying amount of the assets exceeds the estimated recoverable amount, an impairment is recognised for such excess amount. The impairment loss is recognised as an expense in the Profit and Loss Account, unless the asset is carried at revalued amount, in which case any impairment loss of the revalued asset is treated as a revaluation decrease to the extent a revaluation reserve is available for that asset.

The recoverable amount is the greater of the net selling price and their value in use. Value in use is arrived at by discounting the future cash flows to their present value based on an appropriate discount factor.

When there is indication that an impairment loss recognised for an asset (other than a revalued asset) in earlier accounting periods no longer exists or may have decreased, such reversal of impairment loss is recognised in the Profit and Loss Account, to the extent the amount was previously charged to the Profit and Loss Account. In case of revalued assets such reversal is not recognized.

4.9 **Non-Banking Assets**

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

4.10 **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).

4.11 **Lease transactions**

Operating Lease

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

4.12 ***Retirement and other employee benefits***

a) **Provident Fund**

The contribution made by the bank to The Federal Bank Employees Provident Fund, administered by the trustees is charged to the Profit and Loss account.

b) **Pension Fund**

The contribution towards The Federal Bank Employees' Pension Fund, managed by trustees, is determined on actuarial basis on projected unit credit method as on the Balance Sheet date and is recognised in the profit and loss accounts.

Employees who had joined the services of the Bank with effect from April 01, 2010 are covered under Defined Contributory Pension Scheme (DCPS). In respect of such employees the bank contributes 10% of the Basic Pay plus Dearness Allowance and the expenditure thereof is charged to the Profit and Loss account.

c) **Gratuity**

The bank makes annual contribution to The Federal Bank Employees' Gratuity Trust Fund administered and managed by the Trustees. The cost of providing such benefits is determined using the Projected Unit Credit method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognised in the Profit and Loss Account in the period in which they occur. The retirement benefit obligation recognised in the Balance Sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the schemes.

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

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

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

e) **Other employee Benefits**

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

4.13 **Debit card reward points**

The Bank runs a loyalty program which seeks to recognise and reward customers based on their relationship with the Bank. Under the program, eligible customers are granted loyalty points redeemable in future, subject to certain conditions. The Bank estimates the probable redemption of such loyalty/reward points using an actuarial method at the Balance Sheet date by employing independent actuary. Provision for said reward points is then made based on the actuarial valuation report as furnished by the said independent Actuary.

4.14 **Employee Stock Option Scheme**

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

4.15 Taxation

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

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

Minimum Alternate Tax (MAT) paid in accordance with the tax laws, which gives future economic benefits in the form of adjustment to future income tax liability, is considered as an asset if there is convincing evidence that the Bank will pay normal income tax. Accordingly, MAT is recognised as an asset in the Balance Sheet when it is highly probable that future economic benefit associated with it will flow to the Bank.

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 reviewed at each balance sheet date for their realisability.

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

4.16 Earnings per Share

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

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

4.17 **Share issue expenses**

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

4.18 **Segment information**

The disclosure relating to segment information is in accordance with the guidelines issued by RBI.

4.19 **Provisions, contingent liabilities and contingent assets**

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

A disclosure of contingent liability is made when there is:

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

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

4.20 **Corporate Social Responsibility**

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

4.21 **CENVAT Credit**

Service tax input credit is accounted for in the books within the time limit prescribed under CENVAT Credit Rules, 2004, as amended.

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

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

THE FEDERAL BANK LIMITED

SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2017

1. Disclosures requirement as per RBI's Master Circular on Disclosure in Financial Statements

Amounts in notes forming part of the financial statements for the year ended 31st March, 2017 are denominated in Rupees Crore to conform to extant RBI guidelines.

1.1. Capital Adequacy Ratio

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

Under Basel III Capital Regulations, on an on-going basis, the Bank has to maintain a Minimum Total Capital (MTC) of 10.25 % (Previous Year 9.625 %) including Capital Conversion Buffer (CCB) at 1.25% (Previous Year 0.625%), of the total risk weighted assets (RWA). Out of the MTC, at least 6.75% (Previous Year 6.125%), shall be from Common Equity Tier 1 (CET1) capital and at least 8.25% (Previous Year 7.625%) from Tier 1 capital, including 1.25% (Previous Year 0.625%) towards CCB. The capital adequacy ratio of the Bank is set out below:

(₹ in Crore)

Particulars	As at 31 March, 2017	As at 31 March, 2016
Common Equity Tier I	8,539.25	7,791.84
Tier 1 Capital	8,539.25	7,791.84
Tier 2 Capital	416.08	333.64
Total Capital	8,955.33	8,125.48
Total risk weighted assets	72,295.43	58,330.10
Capital Ratios		
Common Equity Tier 1	11.81%	13.36%
Tier 1 Capital	11.81%	13.36%
Tier 2 Capital	0.58%	0.57%
Total CRAR	12.39%	13.93%
Percentage of the shareholding of the Government of India in public sector banks	NA	NA
Amount of Equity Capital Raised	-	-
Amount of Additional Tier I Capital raised of which:	-	-
a) Perpetual Non- Cumulative Preference Shares(PNCPS)	-	-
b) Perpetual Debt Instruments (PDI)	-	-
Amount of Tier II Capital raised of which:	-	-
a) Debt Capital instruments	-	-
b) Preference Share Capital Instruments: *[Perpetual Cumulative Preference Shares (PCPS) / Redeemable Non-Cumulative Preference Shares (RNCPS) / Redeemable Cumulative Preference Shares (RCPS)]*	-	-

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

1.2. **Investments**

1.2.1. **Details of Investments:**

(₹ in Crore)

Particulars	31st March 2017	31st March 2016
(1) Value of Investments		
(i) Gross Value of Investments		
(a) In India	28,332.01	25,261.99
(b) Outside India	0.93	0.81
(ii) Provision for Depreciation		
(a) In India	53.37	29.06
(b) Outside India	0.06	0.16
(iii) Provision for Non-performing investments		
(a) In India	83.43	78.09
(b) Outside India	-	-
(iv) Net value of Investments		
(a) In India	28,195.21	25,154.84
(b) Outside India	0.87	0.65
(2) Movement of provision held towards depreciation on Investments		
(i) Opening Balance	29.22	12.48
(ii) Add: Provisions made during the year	89.48	36.34
(iii)Less: Write off / Write back of excess provision during the year	65.27	19.60
(iv)Closing Balance	53.43	29.22
(3) Movement of provision for Non-performing investments (NPIs)		
(i) Opening Balance	78.09	17.53
(ii) Add: Provisions made during the year	5.34	63.42
(iii)Less: Write off / Write back of excess provision during the year	-	2.86
(iv)Closing Balance	83.43	78.09

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

1.2.2. a) Investments under HTM (excluding specified investments as per RBI norms) account for 19.78% (Previous year 20.72%) of demand and time liabilities as at the end of March 2017 as against permitted ceiling of 20.50 % (Previous Year: 21.50%) stipulated by RBI.

b) In respect of securities held under HTM category premium of ₹ 47.65 Crore (Previous year: ₹ 35.34 Crore) has been amortised during the year and debited under interest received on Government securities.

c) Profit on sale of securities from HTM category amounting to ₹ 134.26 Crore (Previous year: ₹ 12.92 Crore) has been taken to Profit and Loss Account. During the year, the Bank had appropriated ₹ 65.85 Crore (Previous year ₹ 6.34 Crore), [net of taxes and transfer to statutory reserve] to the Capital Reserve, being the gain on sale of HTM Investments in accordance with RBI guidelines.

d) During the year ended 31st March, 2017 the bank had withdrawn ₹14.49 Crore (Previous year: ₹ 8.21 Crore) [net of applicable taxes and transfer to statutory reserve] from Investment Reserve Account on provision for depreciation on Investments, debited to Profit and Loss account.

1.2.3. **Repo Transactions**

Details of securities sold/purchased (in face value terms) during the years ended 31st March, 2017 and 31st March, 2016 under repos/reverse repos:

(₹ in Crore)

Particulars	Outstanding during the year			Outstanding as on 31/03/2017/ (31/03/2016)
	Minimum	Maximum	Daily Average	
A) Securities sold under RBI Repos				
i) Government Securities	- (-)	3,200.00 (2,825.00)	220.93 (427.76)	0.00 (2,825.00)
ii)Corporate Debt Securities	- (-)	- (-)	- (-)	- (-)
Securities purchased under RBI Reverse Repos				
i) Government Securities	- (-)	4,341.00 (1,541.00)	742.73 (135.52)	1,450.00 (-)
ii)Corporate Debt Securities	- (-)	- (-)	- (-)	- (-)
B)Securities sold under Market Repos				
i) Government Securities	- (-)	966.47 (104.05)	125.08 (10.58)	919.74 (-)
ii)Corporate Debt Securities	- (-)	- (-)	- (-)	- (-)
Securities purchased under Reverse Market Repos				
i) Government Securities	- (-)	2,672.96 (1,045.55)	490.63 (143.71)	- (-)
ii)Corporate Debt Securities	- (-)	- (-)	- (-)	- (-)

(Previous year's figures are given in brackets)

1.2.4. **Details of Non-SLR investment portfolio -**

a) Issuer composition as at 31 March, 2017 of Non-SLR investments

(₹ 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	267.54 (275.74)	267.54 (275.74)	- (5.00)	- (-)	- (-)
2	Financial Institutions	2,485.82 (962.93)	769.98 (500.17)	- (-)	- (-)	5.00 (5.00)
3	Banks	1,832.88 (1,305.10)	105.14 (108.14)	- (30.00)	- (-)	- (-)

4	Private Corporates	849.19 (1,082.86)	402.87 (416.65)	70.98 (35.36)	0.00 (15.00)	34.98 (59.98)
5	Subsidiaries/ Joint ventures	398.00 (398.00)	398.00 (398.00)	- (-)	- (-)	- (-)
6	Others*	919.33 (678.28)	806.13 (678.28)	608.95 (450.82)	173.53 (188.51)	- (-)
7	Less: Provision held towards depreciation on investment	38.65 (23.91)	XXX	XXX	XXX	XXX
8	Less: Provision held towards non performing investments	83.43 (78.09)	XXX	XXX	XXX	XXX
	Total	**6,630.68** **(4,600.91)**	**2,749.66** **(2,376.98)**	**679.93** **(521.18)**	**173.53** **(203.51)**	**39.98** **(64.98)**

Previous year's figures are given in brackets

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

* Includes Investments in Non-SLR government securities amounting to ₹ 113.18 Crore (Previous year: ₹ 612.61 Crore).

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

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

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

(₹ in Crore)

Particulars	31 March 2017	31 March 2016
Shares	218.47	156.09
Debentures and Bonds*	1,407.61	1,699.04
Subsidiaries/Joint Ventures	398.00	398.00
Others	4,606.60	2,960.39
Total	**6,630.68**	**5,213.52**

* - Includes Investments in Non-SLR government securities amounting to ₹ 113.18 Crore (Previous year: ₹ 612.61 Crore).

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

(₹ in Crore)

Particulars	31 March 2017	31 March 2016
Opening Balance	232.65	17.53
Additions during the year	35.42	217.98
Reductions during the year	-	2.86
Closing Balance	268.07	232.65
Total Provision held	**83.43**	**78.09**

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

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

1.3. **Derivatives**

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

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

(₹ in Crore)

Sl. No.	Particulars	31 March 2017	31 March 2016
(i)	Notional principal amount of exchange traded interest rate derivatives undertaken during the year (instrument-wise) a) 7.59 G-Sec 2026 b) 6.97 G-Sec 2026 c) 7.72 G-Sec 2025	 14,070.24 62.44 1,294.44	 Nil
(ii)	Notional principal amount of exchange traded interest rate derivatives outstanding as on 31st March 2017	Nil	Nil
(iii)	Notional principal amount of exchange traded interest rate derivatives outstanding and not "highly effective" (Instrument wise)	Nil	Nil
(iv)	Mark-to-market value of exchange traded interest rate derivatives outstanding and not "highly effective" (instrument wise)	Nil	Nil

1.3.1. B) The bank had dealt in exchange traded currency futures during the financial year ended March 31, 2017 and March 31, 2016. As at March 31, 2017 the open contracts on the exchange was Nil.

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

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

(₹ in Crore)

Particulars	31 March 2017	31 March 2016
i) The notional principal of swap agreements	1,825.00	2,200.00
ii) Losses which would be incurred if counter parties failed to fulfil their obligations under the agreements	3.48	7.04
iii) Collateral required by the bank upon entering into swaps	Nil	Nil
iv) Concentration of credit risk arising from the swaps	39.54	Nil
v) The fair value of the swap book	-0.9	0.01

The nature and terms of the IRS as on 31 March, 2017 are set out below:

(₹ in Crore)

Nature	Nos.	Notional Principal	Benchmark	Terms
Trading	31	925	MIOIS	Fixed payable v/s floating receivable
Trading	29	900	MIOIS	Fixed receivable/floating payable

The nature and terms of the IRS as on 31 March, 2016 are set out below:

(₹ in Crore)

Nature	Nos.	Notional Principal	Benchmark	Terms
Trading	35	1025	NSE MIBOR	Fixed payable v/s floating receivable
Trading	34	1025	NSE MIBOR	Fixed receivable/floating payable
Trading	6	150	NSE MIBOR	Fixed receivable/floating payable

The bank has not undertaken any transactions in Credit Default Swaps (CDS) during the year 31 March, 2017 and 31 March, 2016.

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

Qualitative disclosures:

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

Derivatives are financial instruments whose characteristics are derived from an underlying asset like interest rates, exchange rates or indices. The Bank undertakes over the counter and exchange traded derivative transactions for Balance Sheet management and also for proprietary trading/market making. Bank offers derivative products to the customers to enable them to hedge their exposure within the prevalent regulatory guidelines.

Proprietary trading includes Interest Rate Futures, Currency Futures and Rupee Interest Rate Swaps under different benchmarks (viz. MIBOR, MIFOR etc) in over the counter/exchange traded derivatives. The Bank also undertakes transactions in Long Term Forex Contracts (LTFX) for hedging its Balance Sheet and also offers them to its customers. These transactions expose the Bank to various risks primarily credit, market, operational, legal, and reputation. The Bank has adopted the following mechanism for managing risks arising out of the derivative transactions.

The derivative transactions are governed by the Investment, forex and derivative policy and market risk management policy of the Bank as well as by the extant RBI guidelines. Various operational/risk limits are set up and actual exposures are monitored vis-à-vis the limits allocated. These limits are set up taking into account market volatility, risk appetite, business strategy and management experience. Risk limits are in place for risk parameters viz. Value at Risk (VaR), Stop Loss, 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. The current outstanding under the derivatives portfolio were executed for trading purposes.

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

Bank deals in derivatives for hedging G-Sec or foreign currency assets/liabilities subject to the prevailing regulatory guidelines. Transactions for hedging and trading are recorded separately. For hedge transactions, the Bank identifies the hedged item (asset or liability) at the inception of the transaction itself. The effectiveness is ascertained at the time of inception of the hedge and periodically thereafter.

Transactions related to foreign exchange forward, Interest rate Future/IRS/Currency future are marked to market every month and the MTM is accounted in the books.

(c) Collateral Security

We have provided Sufficient Collateral Security to Central counter Parties and Exchanges wherever Applicable

As per market practice, no collateral security is insisted on for the contracts with counter parties like Banks/Primary Dealers (PDs) etc. For deals with Corporate Clients, appropriate collateral security/margin etc. is stipulated wherever considered necessary.

(d) Credit Risk Mitigation

Most of the deals have been contracted with Banks/ Major PDs and no default risk is anticipated on the deals with them.

Quantitative Disclosures

(₹ in Crore)

Sl. No	Particulars	Currency Derivatives*		Interest rate Derivatives	
		Year ended March 31, 2017	Year ended March 31, 2016	Year ended March 31, 2017	Year ended March 31, 2016
(i)	Derivatives (Notional Principal Amount)				
	a)For hedging	-	-	-	150.00
	b) For trading	-	-	1,825.00	2,050.00
(ii)	Marked to Market positions				
	a) Asset (+)	-	-	7.50	7.04
	b) Liabilities (-)	-	-	8.40	-7.04
(iii)	Credit Exposure	-	-	24.38	25.66

(iv)	Likely impact of one percentage change in interest rate (100*PV01)				
	a) on hedging derivatives	-	-		6.08
	b) on trading derivatives	-	-	-0.58	-0.78
(v)	Maximum and Minimum of 100*PV01 observed during the year				
	a) on hedging	-	-	-	Max 0.624 Min 0.180
	b) on trading	-	-	Max -0.56 Min -0.99	Max 0.149 Min-0.688

* excludes forward exchange contract.

- The notional principal amount of forward exchange contracts classified as Hedging and Trading outstanding as on March 31,2017 amounted to ₹ 3003.98 Crore (Previous year ₹ 1589.18 Crore) and ₹ 13452.78 Crore (Previous year₹ 12652.94 Crore) respectively. For the hedging contract, at 31st March, 2017 the marked to market position was asset ₹54.81 crores and liability of ₹110.23 crores. For the trading contract, at 31st March, 2017 the marked to market position was asset ₹360.06 crores and liability of ₹292.43 crores (Previous year net MTM ₹ 21.15 Crore). Credit exposure on forward exchange contracts at March 31, 2017 was ₹ 893.33 Crore (Previous year ₹ 227.76 Crore).
- The notional principal amounts of derivatives reflect the volume of transactions outstanding as at the Balance Sheet date and do not represent the amounts at risk.
- Interest rate derivative represents interest rate swaps.
- The bank has computed the maximum and minimum of PV01 for the year based on the balances as at the end of every month.
- In respect of derivative contracts, the bank evaluates the credit exposure arising therefrom, in line with RBI guidelines. Credit exposure has been computed using the current exposure method which is the sum of :
  a) The current replacement cost (Marked to Market value including accruals of the contract) or zero whichever is higher.
  b) The Potential Future Exposure (PFE) is a product of the notional principal amount of the contract and a factor that is based on the grid of credit conversion factor prescribed in RBI Guidelines, which is applied on the basis of the residual maturity and the type of contract.

1.4. Asset Quality

1.4.1 Net non-performing assets

Particulars	31 March, 2017 (%)	31 March, 2016 (%)
Net non-performing assets as a percentage of net advances.	1.28	1.64

1.4.2 Movement in gross non-performing assets

(₹ in Crore)

Particulars	31 March, 2017	31 March, 2016
Opening balance	1,667.77	1,057.73
Additions during the year	1,074.99	1,895.41
Reductions during the year	1,015.71	1,285.37
Closing balance	**1,727.05**	**1,667.77**

1.4.3 Movement in net non-performing assets

(₹ in Crore)

Particulars	31 March, 2017	31 March, 2016
Opening balance	950.01	373.27
Additions during the year	523.77	956.33
Reductions during the year	532.58	379.59
Closing balance	**941.20**	**950.01**

1.4.4 Movement in provisions for non-performing assets

(₹ in Crore)

Particulars	31 March, 2017	31 March, 2016
Opening balance	700.50	666.38
Additions during the year	528.63	908.17
Reductions during the year	474.68	874.05
Closing balance	**754.45**	**700.50**

1.4.5 Divergence in Asset classification and Provisioning for NPAs

The divergence observed by RBI for the Financial year 2015-16 in respect of the Bank's asset classification and provisioning under the extant prudential norms on income recognition, asset classification and provisioning is insignificant and hence the disclosure as required under RBI Circular DBR.BP.BC.No.63/21.04.018/2016-17 dated April 18, 2017 on 'Divergence in the asset classification and provisioning', is not required to be made.

1.4.6 A) Particulars of Accounts Restructured

Details of loan assets subjected to restructuring during the year ended 31 March, 2017:

(₹ in Crore)

Type of Restructuring		Under CDR Mechanism					Under SME Debt Restructuring Mechanism[5]				
Asset Classification		**Standard**	**Sub-Standard**	**Doubtful**	**Loss**	**Total**	**Standard**	**Sub-Standard**	**Doubtful**	**Loss**	**Total**
Restructured accounts as at 1 April 2016 (Opening Balance)	No. of borrowers	6	5	1	1	**13**	0	0	0	0	**0.00**
	Amount Outstanding – (a)Restructured facility	285.16	145.66	40.06	3.75	**474.63**	0.00	0.00	0.00	0.00	**0.00**
	b)Other facility	2.83	1.65	10.00	3.78	**18.26**	0.00	0.00	0.00	0.00	**0.00**
	Provision thereon	44.98	1.20	0.00	0.00	**46.18**	0.00	0.00	0.00	0.00	**0.00**
Movement in balance for accounts appearing under opening balance[1]	No. of borrowers	0	-4	0	0	**-4**	0	0	0	0	**0**
	Amount Outstanding – (a)Restructured facility	-21.37	-142.98	-40.06	-3.75	**-208.16**	0.00	0.00	0.00	0.00	**0.00**
	b)Other facility	-1.27	0.16	0.00	0.00	**-1.11**	0.00	0.00	0.00	0.00	**0.00**
	Provision thereon	-9.49	-1.20	0.00	0	**-10.69**	0.00	0.00	0.00	0.00	**0.00**
Fresh Restructuring during the year ended 31 March 2017[2]	No. of borrowers	0	0	0	0	**0**	0	0	0	0	**0**
	Amount Outstanding – (a)Restructured facility	0.00	0.00	0.00	0.00	**0.00**	0.00	0.00	0.00	0.00	**0.00**
	b)Other facility	0.00	0.00	0.00	0.00	**0.00**	0.00	0.00	0.00	0.00	**0.00**
	Provision thereon	0.00	0.00	0.00	0	**0.00**	0.00	0.00	0.00	0.00	**0.00**
Upgradation to restructured standard category during the year ended 31 March, 2017	No. of borrowers	0	0	0	0	**0**	0	0	0	0	**0**
	Amount Outstanding – (a)Restructured facility	0.00	0.00	0.00	0.00	**0.00**	0.00	0.00	0.00	0.00	**0.00**
	b)Other facility	0.00	0.00	0.00	0.00	**0.00**	0.00	0.00	0.00	0.00	**0.00**
	Provision thereon	0.00	0.00	0.00	0.00	**0.00**	0.00	0.00	0.00	0.00	**0.00**

Type of Restructuring		**Under CDR Mechanism**					**Under SME Debt Restructuring Mechanism**[5]				
Asset Classification		**Standard**	**Sub-Standard**	**Doubtful**	**Loss**	**Total**	**Standard**	**Sub-Standard**	**Doubtful**	**Loss**	**Total**
Restructured Standard Advances which cease to attract higher provisioning and/or additional risk weight at the end of 31 March 2017[3]	No. of borrowers	0				**0**	0				**0**
	Amount Outstanding – (a)Restructured facility	0.00				**0.00**	0.00				**0.00**
	b)Other facility					**0.00**					**0.00**
	Provision thereon	0.00				**0.00**	0.00				**0.00**
Downgradation of restructured accounts during the year ended 31 March 2017	No. of borrowers	-1	-1	2	0	**0**	0	0	0	0	**0**
	Amount Outstanding – (a)Restructured facility	-31.43	-2.68	34.11	0.00	**0.00**	0.00	0.00	0.00	0.00	**0.00**
	b)Other facility	0.00	-1.82	1.82	0.00	**0.00**	0.00	0.00	0.00	0.00	**0.00**
	Provision thereon	-4.45	0.00	4.45	0.00	**0.00**	0.00	0.00	0.00	0.00	**0.00**
Write-offs of restructured accounts during the year ended 31 March 2017	No. of borrowers	0	0	0	0	**0**	0	0	0	0	**0**
	Amount Outstanding – (a)Restructured facility	0.00	0.00	0.00	0.00	**0.00**	0.00	0.00	0.00	0.00	**0.00**
	b)Other facility	0.00	0.00	0.00	0.00	**0.00**	0.00	0.00	0.00	0.00	**0.00**
	Provision thereon	0.00	0.00	0.00	0.00	**0.00**	0.00	0.00	0.00	0.00	**0.00**
Restructured accounts as at 31 March 2017 (closing figures)[4]	No. of borrowers	5	0	3	1	**9**	0	0	0	0	**0**
	Amount Outstanding – (a)Restructured facility	232.36	0.00	34.11	0.00	**266.47**	0.00	0.00	0.00	0.00	**0.00**
	b)Other facility	1.56	0.00	11.82	3.78	**17.16**	0.00	0.00	0.00	0.00	**0.00**
	Provision thereon	31.04	0.00	4.45	0.00	**35.49**	0.00	0.00	0.00	0.00	**0.00**

(₹ in Crore)

Type of Restructuring		Others					Total				
Asset Classification		Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total
Restructured accounts as at 1 April 2016 (Opening Balance)	No. of borrowers	20	55	74	101	**250**	26	60	75	102	**263**
	Amount Outstanding – (a)Restructured facility	517.92	104.38	94.52	2.32	**719.14**	803.08	250.04	134.58	6.07	**1193.77**
	b)Other facility	247.34	193.38	8.33	0.02	**449.07**	250.17	195.03	18.33	3.80	**467.33**
	Provision thereon	70.02	5.25	0.18	0.11	**75.56**	115.00	6.45	0.18	0.11	**121.74**
Movement in balance for accounts appearing under opening balance1	No. of borrowers	-2	-17	-13	-17	**-49**	-2	-21	-13	-17	**-53**
	Amount Outstanding – (a)Restructured facility	-147.46	-64.74	-70.79	-0.04	**-283.03**	-168.83	-207.72	-110.84	-3.79	**-491.18**
	b)Other facility	-213.57	16.06	-2.90	0.00	**-200.41**	-214.85	16.23	-2.90	0.00	**-201.52**
	Provision thereon	-14.86	-4.63	0.06	0.00	**-19.43**	-24.35	-5.83	0.06	0.00	**-30.12**
Fresh Restructuring during the year ended 31 March 20172	No. of borrowers	8	1	0.00	1	**10**	8	1	0	1	**10**
	Amount Outstanding – (a)Restructured facility	203.03	0.01	0.00	0.05	**203.09**	203.03	0.01	0.00	0.05	**203.09**
	b)Other facility	23.28	0.00	0.00	0.00	**23.28**	23.28	0.00	0.00	0.00	**23.28**
	Provision thereon	33.38	0.00	0.00	0.00	**33.38**	33.38	0.00	0.00	0.00	**33.38**
Upgradation to restructured standard category during the year ended 31 March, 2017	No. of borrowers	16	-7	-1	-8	**0**	16	-7	-1	-8	**0**
	Amount Outstanding – (a)Restructured facility	0.75	-0.49	-0.07	-0.19	**0.00**	0.75	-0.49	-0.07	-0.19	**0.00**
	b)Other facility	0.00	0.00	0.00	0.00	**0.00**	0.00	0.00	0.00	0.00	**0.00**
	Provision thereon	0.04	-0.02	0.00	-0.02	**0.00**	0.04	-0.02	0.00	-0.02	**0.00**
Restructured Standard Advances which cease to attract higher	No. of borrowers	-9				**-9**	-9				**-9**
	Amount Outstanding – (a)Restructured facility	-0.28				**-0.28**	-0.28				**-0.28**
	b)Other facility	0.00				**0.00**	0.00				**0.00**

Type of Restructuring		Others					Total				
Asset Classification		**Standard**	**Sub-Standard**	**Doubtful**	**Loss**	**Total**	**Standard**	**Sub-Standard**	**Doubtful**	**Loss**	**Total**
provisioning and/or additional risk weight at the end of 31 March 20173	Provision thereon	-0.01				**-0.01**	-0.01				**-0.01**
Downgradation of restructured accounts during the year ended 31 March 2017	No. of borrowers	-5	-23	21	7	**0**	-6	-24	23	7	**0**
	Amount Outstanding – (a)Restructured facility	-6.66	-32.38	38.93	0.11	**0.00**	-38.09	-35.06	73.04	0.11	**0.00**
	b)Other facility	-4.94	-2.24	7.18	0.00	**0.00**	-4.94	-4.05	8.99	0.00	**0.00**
	Provision thereon	-0.04	-0.54	0.57	0.01	**0.00**	-4.49	-0.54	5.02	0.01	**0.00**
Write-offs of restructured accounts during the year ended 31 March 2017	No. of borrowers	0	0	0	0	**0**	0	0	0	0	**0**
	Amount Outstanding – (a)Restructured facility	0.00	0.00	0.00	0.00	**0.00**	0.00	0.00	0.00	0.00	**0.00**
	b)Other facility	0.00	0.00	0.00	0.00	**0.00**	0.00	0.00	0.00	0.00	**0.00**
	Provision thereon	0.00	0.00	0.00	0.00	**0.00**	0.00	0.00	0.00	0.00	**0.00**
Restructured accounts as at 31 March 2017 (closing figures)4	No. of borrowers	28	9	81	84	**202**	33	9	84	85	**211**
	Amount Outstanding – (a)Restructured facility	567.29	6.78	62.59	2.25	**638.91**	799.65	6.78	96.70	2.25	**905.38**
	b)Other facility	52.11	207.20	12.61	0.02	**271.94**	53.67	207.20	24.43	3.80	**289.10**
	Provision thereon	88.53	0.05	0.81	0.10	**89.49**	119.57	0.05	5.26	0.10	**124.98**

1 Includes accounts closed during the year on account of payment of outstanding facilities by the borrower, also includes the difference of amount between the balance of FY16 and FY17 and also include sale of Restructured accounts as follows:

(₹ in Crore)

	Under CDR Mechanism					Others				
	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total
No. of borrowers	0	1	0	0	1	0	2	1	0	3
Amount Outstanding (a)Restructured facility @	0.00	49.53	0.00	0.00	49.53	0.00	35.44	50.04	0.00	85.48
b)Other Facility @	0.00	0.00	0.00	0.00	0.00	0.00	2.30	0.00	0.00	2.30
Provision thereon @	0.00	0.81	0.00	0.00	0.81	0.00	2.08	0.00	0.00	2.08

@ Represents balance as on 31-03-2016

2 Amount reported here represents outstanding as on 31 March, 2017.
3 Accounts which were not attracting higher provisioning and/or additional risk weight at the beginning of the financial year.
4 Other Facility include investment in Bond/Debentures amounting to ₹ 216.04 Crore.
5 There are no SME cases which have been restructured during the year ended 31 March, 2017.

Details of loan assets subjected to restructuring during the year ended 31 March, 2016:

(₹ in Crore)

Type of Restructuring		**Under CDR Mechanism**					**Under SME Debt Restructuring Mechanism**[6]				
Asset Classification		**Standard**	**Sub-Standard**	**Doubtful**	**Loss**	**Total**	**Standard**	**Sub-Standard**	**Doubtful**	**Loss**	**Total**
Restructured accounts as on April 1 of the FY (Opening Balance)	No. of borrowers	13	1	3	-	**17**	-	-	-	-	-
	Amount Outstanding – (a)Restructured facility	469.85	26.09	105.35	-	**601.29**	-	-	-	-	-
	b)Other Facility	74.11	17.71	21.65	-	**113.47**	-	-	-	-	-
	Provision thereon	6.96	0.26	4.71	-	**11.93**	-	-	-	-	-
Movement in balance for accounts appearing under opening balance[1]	No. of borrowers	3	-	-	-	**3**	-	-	-	-	-
	Amount Outstanding – (a)Restructured facility	136.48	-	0.01	-	**136.49**	-	-	-	-	-
	b)Other Facility	(29.77)	-	(5.26)	-	**(35.03)**	-	-	-	-	-
	Provision thereon	39.22	0.01	(0.01)	-	**39.22**	-	-	-	-	-
Fresh Restructuring during the year [2]	No. of borrowers	-	-	-	-	**-**	-	-	-	-	-
	Amount Outstanding – (a)Restructured facility	-	-	-	-	**-**	-	-	-	-	-
	b)Other Facility	-	-	-	-	**-**	-	-	-	-	-
	Provision thereon	-	-	-	-	**-**	-	-	-	-	-
Upgradation to restructured standard category during the FY	No. of borrowers	-	-	-	-	**-**	-	-	-	-	-
	Amount Outstanding – (a)Restructured facility	-	-	-	-	**-**	-	-	-	-	-
	b)Other Facility	-	-	-	-	**-**	-	-	-	-	-

Type of Restructuring		Under CDR Mechanism					Under SME Debt Restructuring Mechanism[6]				
Asset Classification		**Standard**	**Sub-Standard**	**Doubtful**	**Loss**	**Total**	**Standard**	**Sub-Standard**	**Doubtful**	**Loss**	**Total**
	Provision thereon	-	-	-	-	**-**	-	-	-	-	-
Restructured Standard Advances which cease to attract higher provisioning and/or additional risk weight at the end of FY	No. of borrowers	(3)				**(3)**	-				-
	Amount Outstanding – (a)Restructured facility	(62.41)				**(62.41)**	-				-
	b)Other Facility	(5.00)	-	-	-	**(5.00)**	-				-
	Provision thereon	-				**-**	-				-
Downgradation of restructured accounts during the FY	No. of borrowers	(7)	6	-	1	**-**	-	-	-	-	-
	Amount Outstanding – (a)Restructured facility	(258.76)	255.01	-	3.75	**-**	-	-	-	-	-
	b)Other Facility	(36.51)	32.73	-	3.78	**-**	-	-	-	-	-
	Provision thereon	(1.20)	1.20	-	-	**-**	-	-	-	-	-
Write-offs/ Sale of restructured accounts during the FY[3,4]	No. of borrowers	-	(2)	(2)	-	**(4)**	-	-	-	-	-
	Amount Outstanding – (a)Restructured facility	-	(135.44)	(65.30)	-	**(200.74)**	-	-	-	-	-
	b)Other Facility	-	(48.79)	(6.39)	-	**(55.18)**	-	-	-	-	-
	Provision thereon	-	(0.27)	(4.70)	-	**(4.97)**	-	-	-	-	-
Restructured accounts as on March 31 of the	No. of borrowers	6	5	1	1	**13**	-	-	-	-	-
	Amount Outstanding –	285.16	145.66	40.06	3.75	**474.63**	-	-	-	-	-

Type of Restructuring		Under CDR Mechanism					Under SME Debt Restructuring Mechanism[6]				
Asset Classification		Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total
FY (closing figures)[5]	(a)Restructured facility										
	b)Other Facility	2.83	1.65	10.00	3.78	**18.26**	-	-	-	-	-
	Provision thereon	44.98	1.20	-	-	**46.18**	-	-	-	-	-

(₹ in Crore)

Type of Restructuring		Others					Total				
Asset Classification		Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total
Restructured accounts as on April 1 of the FY (Opening Balance)	No. of borrowers	264	34	84	86	**468**	277	35	87	86	**485**
	Amount Outstanding – (a)Restructured facility	1,279.23	29.49	39.79	1.67	**1,350.18**	1,749.08	55.58	145.14	1.67	**1,951.47**
	b)Other Facility	1,062.73	5.40	14.31	-	**1,082.44**	1,136.84	23.11	35.96	-	**1,195.91**
	Provision thereon	16.01	1.46	0.38	0.09	**17.94**	22.97	1.72	5.09	0.09	**29.87**
Movement in balance for accounts appearing under opening balance [1]	No. of borrowers	12	(7)	(15)	(13)	**(23)**	15	(7)	(15)	(13)	**(20)**
	Amount Outstanding – (a)Restructured facility	(355.20)	(0.70)	(2.05)	(0.24)	**(358.19)**	(218.72)	(0.70)	(2.04)	(0.24)	**(221.70)**
	b)Other Facility	(554.12)	0.08	(0.07)	-	**(554.11)**	(583.89)	0.08	(5.33)	-	**(589.14)**
	Provision thereon	56.46	(1.40)	(0.13)	(0.02)	**54.91**	95.68	(1.39)	(0.14)	(0.02)	**94.13**
Fresh Restructuring during the year[2]	No. of borrowers	30	-	-	-	**30**	30	-	-	-	**30**
	Amount Outstanding – (a)Restructured facility	77.84	-	-	-	**77.84**	77.84	-	-	-	**77.84**
	b)Other Facility	14.39	-	-	-	**14.39**	14.39	-	-	-	**14.39**

Type of Restructuring		Others					Total				
Asset Classification		**Standard**	**Sub-Standard**	**Doubtful**	**Loss**	**Total**	**Standard**	**Sub-Standard**	**Doubtful**	**Loss**	**Total**
	Provision thereon	4.64	-	-	-	**4.64**	4.64	-	-	-	**4.64**
Upgradation to restructured standard category during the FY	No. of borrowers	14	(7)	(4)	(3)	-	14	(7)	(4)	(3)	-
	Amount Outstanding – (a)Restructured facility	0.72	(0.40)	(0.25)	(0.07)	-	0.72	(0.40)	(0.25)	(0.07)	-
	b)Other Facility	-	-	-	-	-	-	-	-	-	-
	Provision thereon	-	-	-	-	-	-	-	-	-	-
Restructured Standard Advances which cease to attract higher provisioning and/or additional risk weight at the end of FY	No. of borrowers	(218)				**(218)**	(221)				**(221)**
	Amount Outstanding – (a)Restructured facility	(215.56)				**(215.56)**	(277.97)				**(277.97)**
	b)Other Facility	(41.38)				**(41.38)**	(46.38)				**(46.38)**
	Provision thereon	-				-	-				-
Downgradation of restructured accounts during the FY	No. of borrowers	(82)	36	15	31	-	(89)	42	15	32	-
	Amount Outstanding – (a)Restructured facility	(269.11)	189.83	78.32	0.96	-	(527.87)	444.84	78.32	4.71	-
	b)Other Facility	(234.28)	228.85	5.41	0.02	-	(270.79)	261.58	5.41	3.80	-
	Provision thereon	(7.09)	7.01	0.04	0.04	-	(8.29)	8.21	0.04	0.04	-
Write-offs/ Sale of restructured	No. of borrowers	-	(1)	(6)	-	**(7)**	-	(3)	(8)	-	**(11)**
	Amount Outstanding –	-	(113.84)	(21.29)	-	**(135.13)**	-	(249.28)	(86.59)	-	**(335.87)**

Type of Restructuring		Others					Total				
Asset Classification		Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total
accounts during the FY[3,4]	(a)Restructured facility										
	b)Other Facility	-	(40.95)	(11.32)	-	**(52.27)**	-	(89.74)	(17.71)	-	**(107.45)**
	Provision thereon	-	(1.82)	(0.11)	-	**(1.93)**	-	(2.09)	(4.81)	-	**(6.90)**
Restructured accounts as on March 31 of the FY (closing figures)[5]	No. of borrowers	20	55	74	101	**250**	26	60	75	102	**263**
	Amount Outstanding – (a)Restructured facility	517.92	104.38	94.52	2.32	**719.14**	803.08	250.04	134.58	6.07	**1,193.77**
	b)Other Facility	247.34	193.38	8.33	0.02	**449.07**	250.17	195.03	18.33	3.80	**467.33**
	Provision thereon	70.02	5.25	0.18	0.11	**75.56**	115.00	6.45	0.18	0.11	**121.74**

1 Includes accounts closed during the year on account of payment of outstanding facilities by the borrower and accounts which were not attracting higher provisioning and/or additional risk weight at the beginning of the Financial Year

2 Amount reported here represents outstanding as on 31 March, 2016

3 Amount outstanding under restructuring facilities is outstanding balance as on 31-03-2015

4 Includes sale of restructured accounts as follows:

(₹ in Crore)

	Under CDR Mechanism					Others				
	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total
No. of borrowers	-	1	1	-	2	-	1	-	-	1
Amount Outstanding (a)Restructured facility @	-	26.09	35.81	-	61.90	-	113.84	-	-	113.84
b)Other Facility @	-	17.71	4.59	-	22.30	-	40.95	-	-	40.95
Provision thereon @	-	0.27	-	-	0.27	-	1.82	-	-	1.82

@ Represents balance as on 31-03-2015

5 Other Facility include investments in Bonds/ Debentures amounting to ₹ 195.62 Crore

6 There are no SME cases which have been restructured during the year ended 31 March, 2016

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

1. Disclosures on Flexible Structuring of Existing Loans

(₹ in Crore)

Period	No.of borrowers taken up for flexible structuring	Amount of Loans taken up for flexibly structuring		Exposure weighted average duration of loans taken up for flexible structuring*	
		Classified as Standard	Classified as NPA	Before applying flexibly structuring	After applying flexibly structuring
For the year ended March 31,2016	NIL	NIL	NIL	NIL	NIL
For the year ended March 31,2017	2	91.04	NA	9.33 Years	15.36 Years

2. Disclosures on Strategic Debt Restructuring Scheme (accounts which are currently under the stand still period)

(₹ in Crore)

No.of accounts where SDR has been invoked	Gross amount outstanding as on the reporting date		Gross amount outstanding as on the reporting date with respect to accounts where conversion of debt to equity is pending		Gross amount outstanding as on the reporting date with respect to accounts where conversion of debt to equity has taken place	
	Classified as Standard	Classified as NPA	Classified as Standard	Classified as NPA	Classified as Standard	Classified as NPA
3	113.43	-	51.90	-	61.53	-

3. Disclosures on Change in Ownership outside SDR Scheme (accounts which are currently under the stand-still period)

(₹ in Crore)

No. of accounts where banks have decided to effect change in ownership	Amount outstanding as on the reporting date		Amount outstanding as on the reporting date with respect to accounts where conversion of debt to equity/invocation of pledge of equity shares is pending		Amount outstanding as on the reporting date with respect to accounts where conversion of debt to equity/invocation of pledge of equity shares has taken place		Amount outstanding as on the reporting date with respect to accounts where change in ownership is envisaged by issuance of fresh shares or sale of promoters equity	
	Classified as Standard	Classified as NPA	Classified as Standard	Classified as NPA	Classified as Standard	Classified as NPA	Classified as Standard	Classified as NPA
NA	NA	NA	NA	NA	NA	NA	NA	NA

4. Disclosures on Change in Ownership of Projects under Implementation (accounts which are currently under the stand-still period)

(₹ in Crore)

No. of accounts where banks have decided to effect change in ownership	Amount outstanding as on the reporting date		
	Classified as Standard	Classified as standard restructured	Classified as NPA
1	31.66	NA	NA

5. Disclosures on the Scheme for Sustainable Structuring of Stressed Assets (S4A) as on March 31, 2017:

(₹ in Crore)

No. of accounts where S4A has been applied	Aggregate Amount outstanding	Amount outstanding		Provision Held
		In Part A	In Part B	
Classified as Standard	121.96	63.46	58.50	23.29
Classified as NPA	-	-	-	-

1.4.7 **A) Details of financial assets sold to Securitisation / Reconstruction companies for Asset Reconstruction:**

(₹ in Crore)

Particulars	31 March 2017		31 March 2016	
	Standard	NPA#	Standard	NPA
a) No of accounts	1	79	2	55
b) Aggregate value (net of provision) of accounts sold to SC/RC	0.53	203.63	51.10	343.46
c) Aggregate consideration	0.53	242.42	51.10	221.32
d) Additional consideration realised in respect of accounts transferred in earlier years	-		-	-
e) Aggregate gain/(loss) over net book value	-	38.79	-	(122.14)*

\# including written off assets

* - During the year ended March 31, 2016, the Bank had assigned certain Non-performing financial assets to Asset Reconstruction Companies. In terms of RBI Master Circular DBR.No.BP.BC.2/21.04.048/2015-16 on Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances dated July 1, 2015, the shortfall arrived at by deducting sale consideration from the Net Book Value of the financial assets, amounting to ₹ 122.14 Crore is amortised over a period of two years. Accordingly, the bank has charged to the profit and loss account an amount of ₹ 86.73 Crores for the year ended March 31, 2017 (Previous Year ₹ 35.41 Crores) and there is no unamortised balance carried forward as on March 31, 2017.

B) Details of Investments held as Security Receipts received by sale of NPA to Securitisation/Reconstruction Companies as at 31 March, 2017 and 31 March, 2016 are as follows:

(₹ in Crore)

Particulars	Backed by NPAs sold by the bank as underlying		Backed by NPAs sold by other banks/financial institutions/non-banking financial companies as underlying		Total	
	As at 31 March, 2017	As at 31 March, 2016	As at 31 March, 2017	As at 31 March, 2016	As at 31 March, 2017	As at 31 March, 2016
Book value of investments in security receipts	705.94	563.23	-	-	705.94	563.23

Note: In addition to above, bank holds security receipts of ₹ 76.55 Crore (Previous year: ₹ 76.10 Crore) which are backed by standard assets sold by the bank.

C) Details of ageing of Investments held as Security Receipts as at March 31, 2017 are as follows:

(₹ in Crore)

Particulars		SRs issued within past 5 years	SRs issued more than 5 years ago but within past 8 years	SRs issued more than 8 years ago
(i)	Book value of SRs backed by NPAs sold by the bank as underlying	696.71	9.23	0.00
	Provision held against (i)	29.17	6.11	0.00
(ii)	Book value of SRs backed by NPAs sold by other banks / financial institutions / non-banking financial companies as underlying	0.00	0.00	0.00
	Provision held against (ii)	0.00	0.00	0.00
Gross Book value		**696.71**	**9.23**	**0.00**
Total provision held against above		29.17	6.11	0.00
Net Book value		**667.54**	**3.12**	**0.00**

Note: In addition to above, bank holds security receipts of ₹ 76.55 Crore which are backed by standard assets sold by the bank, which is issued within past 5 years. No provision is held against security receipts backed by standard assets sold by the bank.

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

A. Details of non-performing financial assets purchased:

(₹ in Crore)

Particulars	31st March 2017	31st March 2016
1. (a) No. of accounts purchased during the year	NIL	NIL
(b) Aggregate outstanding		
2. (a) Of these, number of accounts restructured during the year		
(b) Aggregate outstanding		

B. Details of non-performing financial assets sold:

(₹ in Crore)

Particulars	31st March 2017	31st March 2016
1.No of accounts sold	NIL	NIL
2. Aggregate outstanding		
3.Aggregate consideration received		

1.4.9 **Movement of Provision on Standard Assets**

(₹ in Crore)

Particulars	31st March 2017	31st March 2016
(a) Opening balance	316.43	286.93
(b) Addition/adjustments during the year	78.50	29.50
(c) Deduction during the year	-	-
(d) Closing balance *	**394.93**	**316.43**

* Includes Provision held towards Unhedged Foreign Currency Exposure of Customers amounting ₹ 5.27 Crore (Previous Year: ₹ 10.05 Crore)

1.5 The Key business ratios and other information:

Particulars	**As at 31st March 2017**	**As at 31st March 2016**
(i) Interest Income as a percentage to Working Funds* (%)	8.77	9.21
(ii) Non-interest income as a percentage to Working Funds* (%)	1.09	0.94
(iii) Operating Profit as a percentage to Working Funds* (%)	1.95	1.69
(iv) Return on Assets [Based on Average Working Fund] *(%)	0.84	0.57
(v) Business (Deposits less inter-bank deposits plus advances) per employee (₹ in Crore)**	14.49	12.03
(vi) Profit per employee (₹ in Crore)**	0.07	0.04

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

** Productivity ratios are based on average employee numbers for the year.

1.6. Asset Liability Management

A maturity pattern of certain items of assets and liabilities at 31 March, 2017 and 31 March, 2016 is set out below:

Year ended 31 March, 2017

(₹ in Crore)

Maturity Pattern	Deposits	Advances	Investments	Borrowings	Foreign Currency Assets	Foreign Currency Liabilities
Day 1	465.63	918.84	4,031.87	48.43	463.04	150.55
2 -7 days	1,924.07	1,562.12	264.59	999.77	835.39	11.59
8-14 days	742.33	565.09	89.56	100.00	146.82	10.43
15-30 days*	2,480.48	1,563.44	1,243.76	71.79	114.47	100.33
31 days to 2 months*	3,465.51	2,721.07	259.08	160.57	227.63	227.76
More than 2 months and up to 3 months*	5,920.92	3,172.72	815.91	300.06	264.08	217.59
Over 3months and upto 6 months	7,973.46	6,073.30	1,611.33	706.78	681.04	352.24
Over 6 months and upto 1 Year	15,969.63	8,458.39	2,362.81	636.85	768.20	537.54
Over 1 Year and upto 3Years	37,958.31	30,639.66	4,096.68	1,859.78	341.90	943.72
Over 3 Years and upto 5 Years	1,416.34	8,465.57	1,416.26	1,013.29	363.95	960.52
Over 5 Years	19,347.88	9,196.07	12,004.23	0.00	469.39	0.00
Total	**97,664.56**	**73,336.27**	**28,196.08**	**5,897.32**	**4,675.91**	**3,512.27**

* The bucketing structure has been revised based on the RBI guidelines vide DBR.BP.BC.No.86/21.04.098/2015-16 dated March 23, 2016.

Year ended 31 March, 2016

(₹ in Crore)

Maturity Pattern	Deposits	Advances	Investments	Borrowings	Foreign Currency Assets	Foreign Currency Liabilities
Day 1	393.88	890.51	-	299.79	211.77	555.07
2 -7 days	798.44	1,123.87	4,280.36	3076.63	1,099.85	15.94
8-14 days	747.78	1,223.87	1,187.14	728.00	6.72	11.68
15-28 days	1,608.96	506.28	338.60	-	40.52	20.63
29 days to 3 months	5,451.07	3,114.63	1,374.29	86.85	320.01	119.31
Over 3months and upto 6 months	5,609.57	5,032.02	1,311.73	256.11	847.54	186.52
Over 6 months and upto 1 Year	15,635.80	7,301.15	1,011.78	402.44	344.40	439.00
Over 1 Year and upto 3Years	31,273.85	26,752.36	2,980.65	259.86	82.25	831.60
Over 3 Years and upto 5 Years	1,064.70	6,302.60	2,207.36	4.89	139.53	284.80
Over 5 Years	16,587.66	5,842.86	10,463.58	-	22.71	0.53
Total	**79,171.71**	**58,090.15**	**25,155.49**	**5,114.57**	**3,115.30**	**2,465.08**

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.

1.7. Exposures

1.7.1 Exposure to Real Estate Sector

(₹ in Crore)

Category	2016-17	2015-16
a) Direct Exposure:		
i) Residential Mortgages:- Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented; (of which individual housing loans eligible for inclusion in Priority sector advances)	10,233.57 (3,005.40)	7,876.22 (3,166.43)
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;	4,069.89	1,738.94
(iii) Investments in Mortgage Backed Securities (MBS) and other securitised exposures –		
a. Residential	Nil	Nil
b. Commercial Real Estate	Nil	Nil

b) Indirect Exposure:		
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	3,943.35	3,126.82
Total Exposure to Real Estate sector	**18,246.81**	**12,741.98**

1.7.2 **Exposure to Capital Market**

(₹ in Crore)

Category	31 March, 2017	31 March, 2016
(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;	220.60	163.70
(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;	0.01	0.09
(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;	162.28	0.15
(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;	-	-
(v) secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	40.89	18.84
(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)	22.71	38.12
Total Exposure to Capital Market	**446.49**	**220.90**

1.7.3 **Risk Category wise Country Exposure**

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

(₹ in Crore)

Risk category*	**Exposure (net) as at**	**Provision held as at**	**Exposure (net) as at**	**Provision held as at**
	31 March 2017	**31 March 2017**	**31 March 2016**	**31 March 2016**
Insignificant	1,011.35	-	878.63	-
Low	908.17	-	636.40	-
Moderate	18.84	-	47.95	-
High	13.39	-	4.17	-
Very High	0.20	-	1.06	-
Restricted	0.15	-	0.00	-
Off-credit	0.00	-	0.00	-
Total	**1,952.10**	-	**1,568.21**	-

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

1.7.4. During the year ended 31 March, 2017 and 31 March, 2016, the Bank's credit exposure to single borrower and group borrowers was within the prudential exposure limits prescribed by RBI.

1.7.5 During the year ended 31March, 2017 and 31 March, 2016 there are no unsecured advances for which intangible securities such as charge over the rights, licences, authority etc. has been taken as collateral by the Bank.

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

(₹ in Lakhs)

Particulars	**2016-17**	**2015-16**
Penalty imposed on currency chests#	0.11	0.16
Penalty imposed for alleged failure in detecting and reporting attempted suspicious transactions related to Cobra post sting operation*	2.00	Nil

* Bank had filed appeal against the order before the Honorable Appellate Tribunal at New Delhi. Despite pendency of the appeal Recovery officer, FIU-IND has demanded the payment of the penalty amount. Hence the amount of Rs 2 lakhs paid on 10.08.16, subject to orders of Appellate Tribunal.

Penalty was imposed by RBI:

(a) As per the RBI Circular DCM(FNVD) No.776/16.01.15/2015-16 dated August 26,2015 and

(b) Fake Indian Currency Note (FICN) detected in the soiled note remittance.

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. The Bank has no obligation other than the monthly contribution.

The Bank recognized ₹ 0.47 Crore (Previous Year: ₹ 0.79 Crore) for provident fund contribution in the Profit and Loss Account.

New Pension Scheme

As per the industry level settlement dated 27th April, 2010, employees who joined the services of the Bank on or after 1st April, 2010 are not eligible for the existing pension scheme whereas they will be eligible for Defined Contributory Pension Scheme (DCPS) in line with the New Pension Scheme introduced for employees of Central Government. Employee shall contribute 10% of their Basic Pay and Dearness Allowance towards DCPS and the Bank will also make a matching contribution. There is no separate Provident Fund for employees joining on or after 01/04/2010.

The Bank recognized ₹ 21.64 Crore (Previous year: ₹ 18.95 Crore) for DCPS contribution in the Profit and Loss Account

b) Defined benefit plan

Gratuity

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

Superannuation / Pension

The Bank provides for monthly pension, a defined benefit retirement plan (the "pension plan") covering eligible employees. The pension plan provides a monthly pension after retirement of the employees till death and to the family after the death of the pensioner. The monthly pension is based on the respective employees' salary and the tenure of employment. Vesting occurs upon completion of ten years of service. The Bank pays the monthly pension by purchasing annuities from Life Insurance Corporation of India (LIC). 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 (the "Trust"). Trustees administer contributions made to the Trust and contributions are invested in specific investments as permitted by law.

The following table as furnished by Actuary sets out the funded status of gratuity / pension plan and the amount recognized in the Bank's financial statements as at March 31, 2017.

i) Change in benefit obligations:

(₹ in Crore)

Particulars	Gratuity Plan		Pension Plan	
	31 March, 2017	31 March, 2016	31 March, 2017	31 March, 2016
Projected benefit obligation, beginning of the year	246.09	209.34	637.50	587.48
Service Cost	15.66	13.82	79.26	57.70
Interest cost	17.14	15.29	41.42	40.17
Actuarial (gain)/ loss	16.64	44.07	149.62	122.99
Benefits paid	(35.05)	(36.43)	(170.42)	(170.84)
Projected benefit obligation, end of the year	**260.48**	**246.09**	**737.38**	**637.50**

ii) Change in plan assets:

(₹ in Crore)

Particulars	Gratuity Plan		Pension Plan	
	31 March, 2017	31 March, 2016	31 March, 2017	31 March, 2016
Plan assets at beginning of the year at fair value	225.66	223.52	578.27	544.40
Expected return on plan assets	19.84	18.55	48.57	47.58
Actuarial gain/(loss)	0.69	(0.65)	4.69	(0.58)
Employer's Contributions	50.40	20.67	285.22	157.71
Benefits paid	(35.05)	(36.43)	(170.42)	(170.84)
Plan assets at end of the year, at fair value	**261.54**	**225.66**	**746.33**	**578.27**

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

(₹ in Crore)

Particulars	Gratuity Plan		Pension Plan	
	31 March, 2017	31 March, 2016	31 March, 2017	31 March, 2016
Fair value of plan assets at the end of the year	261.54	225.66	746.33	578.27
Present value of the defined benefit obligations at the end of the year	260.48	246.09	737.38	637.50
Liability/ (Asset) recognized in the Balance Sheet	**(1.06)**	**20.43**	**(8.95)**	**59.23**

iv) Gratuity / pension cost for the year ended 31st March, 2017

(₹ in Crore)

Particulars	Gratuity Plan		Pension Plan	
	31 March, 2017	31 March, 2016	31 March, 2017	31 March, 2016
Service cost	15.66	13.82	79.26	57.70
Interest cost	17.14	15.29	41.42	40.17
Expected return on plan assets	(19.84)	(18.55)	(48.57)	(47.58)
Actuarial (gain)/loss	15.95	44.72	144.93	123.57
Employee Cost	28.92	55.28	217.04	173.86
Amortisation Cost	-	-	-	-
Net cost Debit to Profit and Loss account	28.92	55.28	217.04	173.86
Actual return on plan assets	20.52	17.90	53.26	47.00

v) Investment details of plan Assets

(₹ in Crore)

Particulars	Gratuity Plan		Pension Plan	
	31 March, 2017	31 March, 2016	31 March, 2017	31 March, 2016
Central and state Government bonds	-	7.13	-	17.82
Other debt securities	5.35	16.35	48.23	66.04
Balance in Saving bank account with the Bank	4.58	0.66	42.84	3.21
Net current assets	0.11	0.82	1.62	3.18
Balance with LIC#	251.50	200.70	653.64	488.02
Total	**261.54**	**225.66**	**746.33**	**578.27**

In the absence of detailed information regarding plan assets which is funded with Life Insurance Corporation of India, the composition of each major category of plan assets, the percentage or amount for each category to the fair value of plan assets has not been disclosed.

vi) Experience adjustments

i) Gratuity Plan (₹ in Crore)

	31 March 2017	31 March 2016	31 March 2015	31 March 2014	31 March 2013	31 March 2012
Defined Benefit Obligations	260.48	246.09	209.34	201.26	240.13	225.25
Plan Assets	261.54	225.66	223.52	230.83	221.67	198.87
Surplus/[Deficit]	1.06	(20.43)	14.18	29.57	(18.46)	(26.38)
Experience adjustments on Plan Liabilities [Gain / (Loss)]	2.18	(46.00)	(6.31)	(5.74)	17.02	0.03
Experience Adjustments on Plan Assets [Gain / (Loss)]	(0.42)	(1.97)	1.19	1.76	22.33	0.64

ii) Pension Plan

(₹ in Crore)

	31 March 2017	31 March 2016	31 March 2015	31 March 2014	31 March 2013	31 March 2012
Defined Benefit Obligations	737.38	637.50	587.48	531.78	584.12	598.76
Plan Assets	746.33	578.27	544.40	416.25	444.17	422.62
Surplus/ [Deficit]	8.95	(59.23)	(43.08)	(115.53)	(139.95)	(176.14)
Experience adjustments on Plan Liabilities [Gain / (Loss)]	93.67	(142.49)	(79.75)	(8.18)	(1.22)	450.11
Experience Adjustments on Plan Assets [Gain / (Loss)]	6.66	0.18	2.19	3.03	1.38	0.96

vii) Assumptions

Particulars	Gratuity Plan		Pension Plan	
	31 March, 2017	31 March, 2016	31 March, 2017	31 March, 2016
Discount rate	7.50%	8.00%	7.50%	8.00%
Annuity rate per Rupee	-	-	131.72338	126.18297
Salary escalation rate	5.00%	5.00%	5.00%	5.00%
Estimated rate of return on plan assets	8.79%	8.30%	8.40%	8.74%
Attrition Rate	3.00%	3.00%	3.00%	3.00%
Mortality Table	IALM 2006-08 Ultimate	IALM 2006-08 Ultimate	IALM 2006-08 Ultimate	IALM 2006-08 Ultimate

The estimates of future salary increases 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

(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 unutilized accrued compensated absence for a maximum of 240 days. The Bank records an obligation for compensated absences in the period in which the employee renders the services that increase this entitlement. The Bank measures the expected cost of compensated absence as the additional amount that the Bank expects to pay as a result of the unused entitlement that has accumulated at the balance sheet date based on actuarial valuations.

A sum of ₹ 24.64 Crore (Previous year: ₹ 2.72 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:

(₹ in Crore)

	31 March 2017	**31 March 2016**
Privilege leave	152.13	131.15
Sick leave	25.05	20.97
Leave Travel Concession	12.29	13.18
Casual Leave	1.56	1.09
Total actuarial liability	191.03	166.39
Assumptions		
Discount rate	7.50%	8.00%
Salary escalation rate	5.00%	5.00%
Attrition Rate	3.00%	3.00%

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 and corporate debt instruments, equity and mutual funds, derivative trading and foreign exchange operations on proprietary account and for customers.

The income of this segment primarily consists of earnings from the investment portfolio of the bank, gains and losses on trading operations. The principal expense of the segment consists of interest expense on funds borrowed/utilized and other allocated overheads.

Corporate/Wholesale Banking:

This segment provides loans and other banking services to Corporate and other clients where value of individual exposure to the Clients exceeds ₹ 5 Crore as defined by RBI. Revenue of this segment consists of interest and fees earned on loans to such customers and charges and fees earned from other banking services. Expenses of this segment primarily consist of interest expense on funds utilized and allocated overheads

Retail banking:

Retail banking constitutes lending and other banking services to individuals/small business customers, other than corporate/wholesale banking customers, identified on the basis of RBI guidelines.

Revenue of this segment consists of interest earned on loans made to such customers and charges /fees carried from other banking services to them. The principal expenses of the segment consist of interest expenses on funds borrowed and other expenses.

Other Banking Operations

This segment includes parabanking activities like third party product distribution and otherbanking transactions, not covered under any of the above segments. The income from such services and associated costs are disclosed in this segment.

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

As on 31 March 2017:

(₹ in Crore)

Business Segments	Treasury	Corporate/ Whole sale Banking	Retail Banking	Other Banking Operations	Total
Revenue	2,496.34	3,006.71	4,103.50	152.65	9,759.20
Result (net of provisions)	395.14	196.41	687.99	56.03	1,335.57
Unallocated expense					(29.07)
Operating profit (PBT)					1,306.50
Income taxes					475.71
Extraordinary profit/loss					-
Net Profit					830.79
OTHER INFORMATION					
Segment Assets	39,000.28	31,384.61	42,417.22	18.54	1,12,820.65
Unallocated assets					2,156.28
Total assets					1,14,976.93
Segment liabilities	36,188.65	29,501.51	39,926.25	-	1,05,616.41
Unallocated liabilities					418.14
Total liabilities					1,06,034.55

As on 31 March 2016

(₹ in Crore)

Business Segments	Treasury	Corporate/ Whole sale Banking	Retail Banking	Other Banking Operations	Total
Revenue	2,281.93	2,360.94	3,809.64	103.84	8,556.35
Result (net of provisions)	158.51	18.14	494.59	73.85	745.09
Unallocated expense					(25.44)
Operating profit (PBT)					719.65
Income taxes					(244.00)
Extraordinary profit/loss					-
Net Profit					475.65
OTHER INFORMATION					
Segment Assets	33,555.32	24,836.67	33,710.86	26.56	92,129.41
Unallocated assets					2,451.96
Total assets					94,581.37
Segment liabilities	30,886.09	23,376.84	31,788.18	-	86,051.11
Unallocated liabilities					439.04
Total liabilities					86,490.15

Geographical Segment Information

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

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:

Name of the Party	Nature of Relationship
IDBI Federal Life Insurance Company Limited	Associate
FedBank Financial Services Limited	Subsidiary
Sri. Shyam Srinivasan, Managing Director & CEO	Key Management Personnel
Sri. Ashutosh Khajuria, Executive Director & CFO	Key Management Personnel
Sri Ganesh Sankaran , Executive Director (From 04-07-2016)	Key Management Personnel
FedBank Hormis Memorial Foundation	Entity in which KMPs can exercise significant influence

b) Significant transactions with related parties:

(₹ in Crore)

Particulars	Key Management Personnel #	
	31 March 2017	31 March 2016
i) Remuneration		
Sri. Shyam Srinivasan	1.14	1.12
Sri. Ashutosh Khajuria	0.81	1.02
Sri.Abraham Chacko (Upto 30-04-2015)	-	0.72
Sri Ganesh Sankaran , Executive Director (From 04-07-2016)	0.84	-
ii) Dividend Paid	0.02	0.02

The normal transactions of the Bank with the above persons as constituents are not reckoned for the purpose of disclosure.

No stock options were granted to MD &CEO, Executive Director & CFO Sri. Ashutosh Khajuria after becoming Executive Director during FY 2016-17.

Sri. Ganesh Sankaran, Executive Director was granted 3,00,000 options during FY 2016-17. (Previous Year: Nil)

Note:
In accordance with RBI guidelines, details pertaining to the related party transactions, other than transaction with KMPs, have not been provided as there is only one related party in each of the above categories.

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

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

(₹ in Crore)

	31 March 2017	31 March 2016
Deferred Tax Liability		
Tax effect of items constituting deferred tax liability:		
(i) Interest accrued but not due	-	145.66
(ii) Depreciation on Investments	101.80	19.52
(iii) Depreciation on Fixed assets	12.66	-
(iv) Special Reserve under Section 36(1)(viii) of the Income Tax Act, 1961	107.28	91.35
v) Others	10.23	-
Total (A)	**231.97**	**256.53**
Deferred Tax Asset		
Tax effect of items constituting deferred tax assets:		
(i) Interest/premium paid on purchase of securities	92.70	90.27
(ii) Provision for Standard Assets	136.68	109.45
(iii) Depreciation on Fixed assets	-	1.15
(iv) Others	88.51	111.19
Total (B)	**317.89**	**312.06**
Net Deferred tax liability/ (Asset) (A-B)	**(85.92)**	**(55.53)**

Note: The above Net Deferred tax is after adjustment of ₹ 172.85 Crore from provisions for Income tax to Deferred tax on review and reassessment of deferred tax assets and liabilities during the year.

3. Additional Disclosures as per RBI's Master Circular on Disclosure in Financial Statements

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

(₹ in Crore)

	For the year ended	31st March 2017	31st March 2016
i)	Provision towards NPAs	405.12	555.32*
ii)	Provision for Depreciation in Value of Investments (Net)	24.21	16.74
iii)	Provision for Non - Performing Investments	5.35	63.42
iv)	Provision for Standard Assets	78.50	29.50
v)	Provision for Taxation	475.71#	244.00
vi)	Provision towards Present Value of sacrifice on restructuring, other contingencies etc.	105.24	39.15
	Total	**1,094.13**	**948.13**

* Net of Floating Provision of ₹ 69.00 Crore withdrawn during the year vide Circular DBR.No.BP.BC.79/21.04.048/2014-15 dated March 30, 2015 issued by the Reserve Bank of India.

₹ 17.98 Crore relating to earlier years.

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

(₹ in Crore)

Particulars	Standard Assets Provision		NPA Provision	
	31 March 2017	**31 March 2016**	**31 March 2017**	**31 March 2016***
(a)Opening balance	12.75	12.75	69.18	138.18
(b)Provision made during the year	Nil	Nil	Nil	Nil
(c) Provision utilised during the year*	Nil	Nil	Nil	69.00
(d)Closing balance	**12.75**	**12.75**	**69.18**	**69.18**

* Floating provision has been utilised in accordance with RBI circulars DBOD. No. BP .95 /21.04.048/ 2013-14 dated February 7, 2014 and DBR . No. BP .BC.79/21.04.048/2014-15 dated March 30, 2015.

3.3. **Draw Down from Reserves**

The Bank has drawn down ₹ 14.49 Crore from Investment Reserve Account (Previous Year ₹ 8.21 crore) in accordance with the provisions of RBI guidelines on 'Prudential Norms for Classification, Valuation and Operation of Investment Portfolio by Banks'.

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

	Particulars	31 March, 2017	31 March, 2016
(a)	No. of complaints pending at the beginning of the year	42	62
(b)	No. of complaints received during the year	3115	3549
(c)	No. of complaints redressed during the year	3099	3569
(d)	No. of complaints pending at the end of the year	58	42

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

B) Disclosure of Awards passed by the Banking Ombudsman

		31 March, 2017	31 March, 2016
(a)	No. of unimplemented awards at the beginning of the year	1@	1@
(b)	No. of awards passed by the Banking Ombudsman	Nil	1
(c)	No. of awards implemented during the year	Nil	1
(d)	No. of unimplemented awards at the end of the year	1@	1@

@ Appeal rejected by Appellate Authority, case filed in High Court and stay obtained

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

3.5. **Letter of Comfort**

The Bank has not issued any letters of comfort (LoC) on behalf of its subsidiaries during the year ended 31st March, 2017 and 31st March, 2016.

3.6 The Provision coverage ratio of the bank as on 31 March, 2017, computed in terms of the RBI Guidelines was 72.67 % (Previous Year 72.05%).

3.7. **Bancassurance Business**

Details of income earned from bancassurance business:

(₹ in Crore)

Sl. No.	Nature of Income *	31 March 2017	31 March 2016
1	For selling life insurance policies	31.01	28.39
2	For selling non-life insurance policies	6.66	6.51
3	For selling mutual fund products	1.84	1.48
4	Others	1.53	1.31

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

3.8.1 **Information on Concentration of deposits:**

(₹ in Crore)

	31 March, 2017	31 March, 2016
Total deposits of twenty largest depositors	4,883.62	2,318.46
Percentage of deposits of twenty largest depositors to total deposits of the bank	5.00%	2.93%

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

3.8.2 **Information on Concentration of advances:**

(₹ in Crore)

	31 March, 2017	31 March, 2016
Total advances to twenty largest borrowers	9,469.00	11,514.35
Percentage of advances to twenty largest borrowers to total advances of the bank	10.20%	16.29%

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

3.8.3 **Information on Concentration of exposure:**

(₹ in Crore)

	31 March, 2017	31 March, 2016
Total exposures to twenty largest borrowers/customers	11,033.74	12,863.21
Percentage of exposures to twenty largest borrowers/customers to total exposure of the bank on borrowers/customers	11.08%	16.93%

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

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

3.8.4 **Information on Concentration of NPAs:**

(₹ in Crore)

	31 March, 2017	31 March, 2016
Total exposures to top four NPA accounts	249.50	266.95

3.9 **Sector wise advances and NPA**

The details of Sector-wise Gross Advances and Gross NPAs as at March 31, 2017 and March 31, 2016 are given below:

(₹ in Crore)

Sl. No.	Sector*	31 March, 2017			31 March, 2016		
		Gross Advances	**Gross NPAs**	**% of Gross NPAs to Gross Advances in that sector**	**Gross Advances**	**Gross NPAs**	**% of Gross NPAs to Gross Advances in that sector**
A	**Priority Sector**						
1.	Agriculture and allied activities	9,746.40	278.44	2.86	8,225.24	139.31	1.69
2.	Advances to industries sector eligible as priority sector lending	2,701.70	206.78	7.65	2,346.22	168.45	7.18
	Of which:						
	Basic Metal	*522.50*	*77.83*	*14.90*	*331.61*	*58.75*	*17.72*
	Infrastructure	*301.81*	*6.44*	*2.13*	*210.98*	*28.14*	*13.34*
3.	Services	4,330.96	233.93	5.40	4,615.89	195.55	4.24
	Of which:						
	Trade	*2,469.17*	*164.43*	*6.66*	*1,918.70*	*136.79*	*7.13*
	Professional Services	*1,163.19*	*58.29*	*5.01*	*863.00*	*23.10*	*2.68*
4.	Personal loans	0.00	0.00	0.00	-	-	-
5.	Others	3,764.62	198.71	5.28	3,631.77	170.58	4.70
	Sub-total (A)	**20,543.68**	**917.86**	**4.47**	**18,819.12**	**673.89**	**3.58**
B	**Non-Priority Sector**						
1.	Agriculture and allied activities	-	-	-	-	-	-
2.	Industry	9,116.06	387.70	4.25	8,074.66	510.66	6.32
	Of which :						
	Basic Metal	*1,007.64*	*216.45*	*21.48*	*1,064.76*	*175.78*	*16.51*
	Infrastruture	*3,323.67*	*78.61*	*2.37*	*3,450.93*	*93.29*	*2.70*
3.	Services	24,276.68	277.79	1.14	16,741.49	366.31	2.19
	Of which :						
	Non-Banking Finance Companies	*4,850.47*	-	-	*3,758.05*	-	-
	Trade	*3,891.48*	*113.40*	*2.91*	*3,343.24*	*205.20*	*6.14*
	Commercial Real Estate	*3,330.82*	*16.12*	*0.48*	*1,270.01*	*0.33*	*0.03*
	Professional Services	*2,281.72*	*65.91*	*2.89*	*2,864.77*	*77.34*	*2.70*
4.	Personal loans	67.36	3.02	4.48	52.36	2.64	5.04
5.	Others	20,086.95	140.68	0.70	15,103.01	114.27	0.76
	Sub-total (B)	**53,547.05**	**809.19**	**1.51**	**39,971.52**	**993.88**	**2.49**
	Total (A+B)	**74,090.73**	**1,727.05**	**2.33**	**58,790.64**	**1,667.77**	**2.84**

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

3.10 **A) Movement in gross non-performing assets** (₹ in Crore)

Particulars	31 March, 2017	31 March, 2016
Gross NPAs as at the beginning of the year	1667.77	1057.73
Additions (Fresh NPAs) during the year	1074.99	1895.41
Subtotal (A)	**2742.76**	**2953.14**
Less:		
(i) Upgradations	268.68	219.43
(ii) Recoveries (excluding recoveries made from upgraded accounts)	192.26	201.18
(iii) Technical/ Prudential Write – offs	233.31	448.48
(iv) Write –offs other than those under (iii) above	3.11	3.59
(v)Reduction by Sale of Assets to ARCs	318.35	412.69
Sub-total (B)	**1015.71**	**1285.37**
Gross NPAs as at the end of the year * (A-B)	**1727.05**	**1667.77**

* After considering technical/ Prudential Write – Offs

Closing Gross NPAs before technical/ Prudential Write – Offs is ₹ 3443.23 Crore (Previous Year ₹ 3460.18 Crore)

B) Movement in technical/prudential written off accounts is set out below:

(₹ in Crore)

Particulars	**31st March 2017**	**31st March 2016**
Opening balance	1792.41	1378.48
Add: Technical write-offs during the year	233.31	448.48
Sub total (A)	**2025.72**	**1826.96**
Less: Reduction due to recovery made from previously technical/prudential written-off accounts during the year	35.75	33.51
Less: Sacrifice made from previously technical/prudential written-off accounts during the year	0.00	1.04
Less: Reduction due to sale of NPAs to ARCs from previously technical/prudential written off accounts during the year	273.79	0.00
Sub total (B)	**309.54**	**34.55**
Closing balance at the end of the year (A-B)	**1716.18**	**1792.41**

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

During the year ended March 31, 2016 the Bank had commenced its operation, pursuant to RBI approval, in International Finance Service Center (IFSC) Banking Unit (IBU) in Gujarat International Finance Tec City (GIFT) and the business transaction from the same is considered as a Foreign branch for most Regulatory purpose as per para 2.2 of Annex I of RBI Circular DBR.IBD.BC 14570/23.13.004/2014-15 dated April 1, 2015. Apart from the said IBU, the bank does not have any overseas branch(s) as on 31 March, 2017 and 31 March, 2016. Details of Assets, NPAs and Revenue of IBU are given below:

(₹ in Crore)

Particulars	**31 March 2017**	**31 March 2016**
Total Assets	1485.61	293.25
Total NPAs	-	-
Total Revenue	29.69	1.20

3.12. **Sponsored SPVs**

The Bank has not sponsored any special purpose vehicle which is required to be consolidated in the consolidated financial statements as per accounting norms as at 31 March 2017 and 31 March 2016.

3.13 **Disclosures on Remuneration**

i) Qualitative disclosures

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

The Remuneration Committee of the Board oversees the framing, review and implementation of the compensation policy of the Bank, on behalf of the Board. This committee works in coordination with Risk Management Committee of the Bank, in order to achieve effective alignment between risk and remuneration. As on 31 March, 2017, the remuneration committee of the Board comprises of the following Independent Directors:

- Sri.K M Chandrasekhar
- CA Nilesh Shivji Vikamsey
- Sri.Dilip Gena Sadarangani

The above committee of the Board functions with the following objectives:

a) To review the Compensation package for the MD and CEO and Executive Directors and recommend revisions for Board approval
b) To consider and approve issuance and allotment of ESOS shares to MD/EDs and employees of the Bank.
c) To develop and implement an effective compensation policy, as per RBI guidelines

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

The compensation payable to MD & CEO, EDs and Senior Executives is divided into fixed and variable components. The fixed compensation is determined based on the industry standards, the exposure, skill sets, talent and qualification attained by the official over his/her career span etc. Approval from RBI is obtained to decide fixed compensation for MD & CEO and EDs.

The variable compensation for MD & CEO and senior executives (Non – IBA package i.e. CGM and above) are determined based on Bank's performance and Key Performance Areas (KPA) set for the official. KPAs contain targets on risk adjusted metrics such as Risk Adjusted Return on Capital (RAROC), Risk Adjusted Return on Risk Adjusted Capital (RARORAC), in addition to target on NPAs.

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

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 four categories

- MD & CEO / ED
- Senior Executives (Non IBA package)
- Senior Executives (On IBA package)
- Other members of staff (on IBA package)

Limit on variable pay

The variable compensation offered to an official would not exceed 70% of the total fixed compensation

Severance pay and guaranteed bonus

Severance pay (other than gratuity or terminal entitlements or as entitled by statute) is not paid to any official of the Bank

Sign on bonus or joining bonus is limited to the first year and is paid only as Employee stock options

Hedging

No compensation scheme or insurance facility would be provided by the Bank to employees to hedge their compensation structure to offset the risk alignment mechanism (deferral pay and clawback arrangements) embedded in their compensation arrangement

Compensation Recovery policy

A claw back arrangement or a compensation recovery policy is provided, which will entail the Bank to recover proportionate amount of variable compensation paid to the above 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 claw back arrangement would be valid for a period of three years from the date of payment of variable compensation.

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' exposure to liquidity risk are also monitored by ALCO.

Integrated Risk Management Department (IRMD)

In order to effectively govern the compensation structure, IRMD would assist the Remuneration Committee of the Board to monitor, review and control various risks and balance prudent risk taking with the compensation paid out to top executives and other employees.

Compensation of risk control staff

The total fixed and variable compensation paid out to the employees of IRMD are independent of business parameters and rendering of effective support to the Remuneration Committee of the Board. The variable compensation component (Performance Linked

Incentive or PLI) will be subjected to a minimum and greater proportion of compensation will be fixed in nature to ensure autonomy and independence from business goals

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

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

Compensation paid to Senior executives and other staff members on IBA package

The compensation paid to other officials that include Award staff, Officers coming under Scale I to III and Senior executives coming under Scale IV to VII is fixed based on the periodic industry level settlements with Indian Banks Association. The variable compensation paid to these functionaries is based on the Performance Linked incentive scheme which has been formulated on the basis of performance parameters set in Performance Management System

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

Deferred compensation and Performance Linkage

In the event variable compensation paid to MD & CEO, ED and Senior Executives (Non-IBA) exceeds more than 50% of the fixed compensation for the year on account of high level of Bank's performance, 60% of the variable pay so entitled to the official will be deferred for payment over a period of 3 years. The amount is parked in an escrow account and the payment will be made in the ratio of 20:30:50 over a period of three years, i.e.

- 20 % of the deferred compensation will be paid in the first year
- 30% of the deferred compensation in the second year; and
- 50 % of the deferred compensation in the third year

Clawback and deferral arrangements

The provisions of clawback and deferral arrangements are applicable to the referred functionaries and all employees in the event their variable compensation exceeds 50 % of their fixed emoluments

f) Description of the different forms of variable remuneration

Bank uses an optimum mix of cash, ESOPS and variable PLI to decide the compensation of employees in all categories. The distribution of ESOPS and variable PLI 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. The Officers in Scale I-III as well as Award staff come under the purview of IBA package that is as per the Industry wide settlements. Variable compensation, ESOP, is linked with seniority in these levels.

(ii) Quantitative disclosures

			31 March, 2017	31 March, 2016
(a)	Number of meetings held by the Remuneration Committee during the financial year and remuneration paid to its members.		7 ₹ 6,30,000	8 ₹7,20,000
(b)	(i)	Number of employees having a variable remuneration award during the financial year.	3	4
	(ii)	Number and total amount of sign-on awards made during the financial year.	Nil	Nil
	(iii)	Details of guaranteed bonus, if any, paid as joining / sign on bonus	Nil	Nil
	(iv)	Details of severance pay, in addition to accrued benefits, if any.	Nil	Nil
(c)	(i)	Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms	Nil	Nil
	(ii)	Total amount of deferred remuneration paid out in the financial year.	Nil	Nil
(d)	Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred (₹ in Crore)		2.79 (Fixed) 0.00 (Variable)	3.14 (Fixed) 0.34 (Variable)
(e)	Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and / or implicit adjustments.		Nil	Nil

3.14 **Securitisation Transactions**

The Bank has not done any securitisation transactions during the year ended 31 March, 2017 and 31 March, 2016.

3.15 **Details of Intra-Group Exposure**

(₹ in Crore)

Sl. No.	Particulars	31March 2017	31March 2016
1	Total amount of intra-group exposures*	691.39	758.91
2	Total amount of top-20 intra group exposures*	691.39	758.91
3	Percentage of intra group exposures to total exposure of the bank to borrowers/ customers *(%)	0.694%	0.998%
4	Details of breach of limits on intra-group exposures and regulatory action thereon, if any	NIL	NIL

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

3.16 **Transfers to Depositor Education and Awareness Fund (DEAF)**

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 DEAF. Details of amounts transferred to DEAF are set out below:

(₹ in Crore)

Particulars	31 March, 2017	31 March, 2016
Opening balance of amounts transferred to DEAF	77.33	66.80
Add: Amounts transferred to DEAF during the year	18.18	12.65
Less: Amounts reimbursed by DEAF towards claims	2.25	2.12
Closing balance of amounts transferred to DEAF	93.26	77.33

3.17 **Unhedged Foreign Currency Exposure**

The Bank has in place a policy on managing credit risk arising out of unhedged foreign currency exposures of its borrowers. The objective of this policy is to maximize the hedging on foreign currency exposures of borrowers by reviewing their foreign currency exposures and encouraging them to hedge the unhedged portion. The policy framework also articulates the methodologies for ascertaining the amount of unhedged foreign currency exposures, estimating the extent of likely loss, estimating the riskiness of the unhedged position and making appropriate provisions and capital charge as per extant RBI guidelines. In line with the policy, assessment of unhedged foreign currency exposure is a part of credit appraisal while proposing limits or at the review stage. Further, the bank reviews the unhedged foreign currency exposure across its portfolio on a periodic basis. The Bank maintains incremental provisions and additional capital for the unhedged foreign currency exposures of its borrowers in line with the extant RBI guidelines. The Bank has maintained ₹ 5.27 Crore (Previous year ₹ 10.05 Crore) as provision and ₹ 2.21 Crore (Previous year ₹ 4.66 Crore) as additional capital for computation of capital adequacy ratio on account of the unhedged foreign currency exposures of borrowers as at March 31, 2017.

3.18 Liquidity Coverage Ratio (LCR)

a) Quantitative Disclosure

(₹ in Crore)

	Particulars	Quarter ended March 31, 2017		Quarter ended December 31, 2016		Quarter ended September 30, 2016		Quarter ended June 30, 2016		Quarter ended March 31, 2016	
		Total Unweighted Value	**Total Weighted Value**	**Total Unweighte d Value**	**Total Weighted Value**	**Total Unweighted Value**	**Total Weighted Value**	**Total Unweighted Value**	**Total Weighted Value**	**Total Unweighted Value (average)**	**Total Weighted Value (average)**
High Quality Liquid Assets											
1	Total High Quality Liquid Assets (HQLA)		**15142.79**		**14978.85**		**11415.77**		**11222.13**		**10021.22**
Cash Outflows											
2	Retail deposits and deposits from small business customers, of which:	85093.52	7787.31	83883.94	7679.37	79100.53	7278.59	77647.20	6420.88	75103.22	5853.20
(i)	Stable deposits	14440.83	722.04	14180.44	709.02	12629.18	631.46	26876.75	1343.84	33142.47	1657.12
(ii)	Less stable deposits	70652.70	7065.27	69703.49	6970.35	66471.34	6647.13	50770.45	5077.04	41960.75	4196.08
3	Unsecured wholesale funding, of which:	4416.56	2113.57	5265.24	2882.58	3377.92	1747.15	2669.55	1268.49	1443.23	661.14
(i)	Operational deposits (all counterparties)	145.79	30.14	122.82	24.46	111.44	21.41	125.21	24.67	116.80	22.80
(ii)	Non-operational deposits (all counterparties)	4270.77	2083.42	5142.42	2858.12	3266.49	1725.74	2544.35	1243.82	1308.38	620.29
(iii)	Unsecured debt	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	18.05	18.05
4	Secured wholesale funding		**0.02**		**67.54**		**27.43**		**0.00**		-
5	Additional requirements, of which	12.64	12.03	30.60	30.60	63.89	63.89	11.66	11.66	174.30	174.30
(i)	Outflows related to derivative exposures and other collateral requirements	12.64	12.03	30.60	30.60	63.89	63.89	11.66	11.66	174.30	174.30

Particulars		Quarter ended March 31, 2017		Quarter ended December 31, 2016		Quarter ended September 30, 2016		Quarter ended June 30, 2016		Quarter ended March 31, 2016	
		Total Unweighted Value	Total Weighted Value	Total Unweighted Value	Total Weighted Value	Total Unweighted Value	Total Weighted Value	Total Unweighted Value	Total Weighted Value	Total Unweighted Value (average)	Total Weighted Value (average)
(ii)	Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-	-	-
(iii)	Credit and liquidity facilities	-	-	-	-	-	-	-	-	-	-
6	Other contractual funding obligations	16860.71	1849.01	15277.46	1729.55	14984.21	1844.12	14566.86	1710.04	13675.42	1305.85
7	Other contingent funding obligations	6363.76	190.91	6102.20	183.03	5825.45	174.76	5884.54	176.54	5263.29	189.38
8	**TOTAL CASH OUTFLOWS**		**11952.85**		**12572.67**		**11135.95**		**9587.61**		**8183.87**
Cash Inflows											
9	Secured lending (e.g. reverse repos)	1971.06	0.00	2346.58	0.00	293.92	0.00	564.09	0.00	48.37	-
10	Inflows from fully performing exposures	3189.16	2325.40	2400.32	1930.37	2641.63	2033.02	1845.58	1111.42	1920.03	1010.02
11	Other cash inflows	6.99	6.99	2.17	2.17	45.87	45.87	77.11	77.11	65.50	65.50
12	**TOTAL CASH INFLOWS**	**5167.21**	**2332.39**	**4749.07**	**1932.54**	**2981.42**	**2078.89**	**2486.77**	**1188.53**	**2033.90**	**1075.52**
13	**TOTAL HQLA**		**15142.79**		**14978.85**		**11415.77**		**11222.13**		**10021.22**
14	**TOTAL NET CASH OUTFLOWS**		**9620.45**		**10640.13**		**9057.06**		**8399.08**		**7108.35**
15	**LIQUIDITY COVERAGE RATIO (%)**		**157.40%**		**140.78%**		**126.04%**		**133.61%**		**140.98%**

b) Qualitative Disclosure

The Bank adheres to RBI guidelines on Liquidity Coverage Ratio, Liquidity Risk Monitoring Tools and the LCR Disclosure Standards pursuant to the Basel III Framework on Liquidity Standards that are applicable to banks in India with effect from January 1, 2015. Liquidity Coverage Ratio (LCR) promotes short-term resilience of banks to potential liquidity disruptions by ensuring that they have sufficient high quality liquid assets (HQLAs) to survive an acute stress scenario lasting for 30 days. LCR is computed on a daily basis from 1st January 2017. Bank has computed the LCR of the IFSC banking Unit at GIFT City on a standalone basis as per the extant guidelines. Bank has not computed LCR separately for any foreign currency since the aggregate liabilities denominated in any foreign currency doesn't amount to 5 percent or more of the Bank's total liabilities. Bank has consistently maintained LCR above 100% during Fiscal 2017, as against the regulatory minimum of 70% (till December 2016)/ 80% (from January 2017).

On an average, 90% of the HQLA maintained by the Bank comprises of Level 1 assets which is the most liquid asset category. Cash in hand, excess CRR and SLR, G-Sec within mandatory SLR requirement permitted by RBI under MSF (presently 2% of NDTL) and facility to avail liquidity ratio (9% of NDTL) constitutes Level 1 HQLA. Level 2 Assets maintained by the Bank comprises of (a) marketable securities representing claims on or claims guaranteed by sovereigns, Public Sector Entities (PSEs) or multilateral development banks that are assigned a 20% risk weight under the Basel III Standardized Approach for credit risk and that are not issued by a bank/financial institution/NBFC or any of its affiliated entities and (b) Corporate bonds, not issued by a bank/financial institution/NBFC or any of its affiliated entities, which have been rated BBB- or above by an Eligible Credit Rating Agency. HQLA is also well diversified across various instruments and liquid asset types and should provide the Bank with adequate and timely liquidity.

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

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

4. Other Disclosures

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

Particulars	31 March 2017	31 March 2016
Weighted average number of equity shares used in computation of basic earnings per share (in 000's)	17,20,708	17,16,993
Weighted average number of equity shares used in computation of diluted earnings per share (in 000's)	17,46,587	17,25,591
Nominal Value of share (in ₹)	2	2
Basic earnings per share (in ₹)	4.83	2.77
Diluted earnings per share (in ₹)	4.76	2.75
Earnings used in the computation of basic and diluted earnings per share (₹ in '000)	83,07,882	47,56,481

4.2 **A. Issue of Bonus Shares**

During the year ended March 31, 2016 the Bank had issued Bonus Shares in the Ratio of 1:1 for Shares held as on the record date of July 9, 2015. Pursuant to the above 85,79,45,206 fully paid up Equity Shares had been allotted by the bank as bonus shares and One Global Depositary share (GDS) had been issued as bonus for every GDS held to the existing holders as on the record date. Consequently, as per the extant ESOS 2010 Scheme bonus options had been provided to the existing ESOS option holders and the exercise price had been adjusted accordingly. The earnings per share have been adjusted for Previous year in accordance with Accounting Standard 20, Earnings per share.

B. Subscribed and paid up capital includes:

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

(ii) 3,12,05,861 underlying equity shares of ₹ 2/- each (Previous Year 2,80,49,968 equity shares of ₹ 2/- each) held by custodian on behalf of holders of Global Depository Receipts (GDRs).

(iii) 50,98,570 ESOS shares of ₹ 2/- per share (Previous Year 57,61,133 shares of ₹ 2/- Per share) allotted under ESOS 2010.

(iv) 85,79,45,206 bonus shares were issued in the ratio of 1:1 during Financial Year 2015-16.

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

i) Allotment of 6,530 shares of ₹ 2/- each (Previous year 6,530 shares of ₹ 2/- each) pertaining to the Right issue of 1993 issued at premium of ₹ 5/- per share
ii) 2,62,100 shares of ₹ 2/- each (Previous year 2,62,100 shares of ₹ 2/- per share) pertaining to the Rights issue of 1996 issued at a premium of ₹ 28/- per Share
iii) 10,80,415 equity shares of ₹ 2/- each (Previous year 10,80,415 shares of ₹ 2/- per share), at a premium of ₹ 48/- per share pertaining to Rights issue of 2007

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

a) 4,09,170 shares of ₹ 2/- each (Previous year 4,09,170 shares of ₹ 2/- each) out of the Bonus issue of 2004 and
b) 6,15,755 bonus shares of ₹ 2/- each (Previous year 6,15,755 bonus shares of ₹ 2/- each), out of the Bonus issue of 2015.

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

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

Number of Options

	31 March, 2017	31 March, 2016
Outstanding at the beginning of the year	7,61,87,146	8,11,24,186
Surrendered during the year	-	-
Granted during the year*	9,65,000	10,25,000
Exercised during the year	50,98,570	56,36,450
Forfeited/lapsed during the year	2,50,590	3,25,590
Outstanding at the end of the year	7,18,02,986	7,61,87,146
Options exercisable	4,76,17,696	5,27,27,176

* ESOS granted on 29th August 2016, 25th October 2016, 03rd November 2016 and 03rd November 2016 with vesting period of 1,2,3 and 4 years. Exercise period of 5 years and exercise price of ₹ 66.55 per share, ₹ 75.00 per share, ₹ 72.45 per share and ₹ 79.45 per share, respectively.

As per SEBI guidelines the accounting for ESOS can be done either under the 'Intrinsic value basis' or 'Fair value basis'. The Compensation Committee in their meeting dated 10th May, 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 24 December, 2010.

The exercise price of the options granted is the same as the market price on the date prior to grant date and hence there is no intrinsic value for the options, which has to be amortized over the vesting period, other than 3,00,000 Options granted during the year at an exercise price lower than the Market price.

If "Fair Value Method" had been adopted based on "Black-Scholes pricing model" for pricing and accounting of options, net profit would be lower by ₹ 9.12 Crore (Previous Year: ₹ 19.83 Crore)

The modified basic and diluted earnings per share for the year, had the Bank followed Fair Value Method of accounting for ESOS compensation cost would be ₹ 4.78 and ₹ 4.72 (Previous Year: ₹ 2.65 and ₹ 2.63) respectively.

ii) **Dividend paid on shares issued on exercise of stock option**

The Bank may allot shares between the Balance Sheet date and record date for the declaration of dividend pursuant to the exercise of any employee stock options. These shares will be eligible for full dividend for the year ended 31 March 2017, if approved at the ensuing Annual General Meeting.

iii) Dividend (Including tax/cess thereon) appropriation of ₹ 0.02 Crore represent dividend for Financial Year 2015-16 on the shares issued under Employee Stock Options Scheme before the record date, as per shareholders' approval.

E. Proposed Dividend and Tax on Proposed Dividend

In terms of revised Accounting Standard (AS) 4 "Contingencies and Events occurring after the Balance sheet date" as notified by the Ministry of Corporate affairs through amendments to Companies (Accounting Standards) Amendment Rules, 2016, the Bank has not appropriated proposed dividend (including tax) aggregating to ₹ 186.75 Crore from the statement of Profit and loss account for the year ended March 31, 2017, also the same has not been shown as an Other Liabilities.

4.3. **Fixed Assets -**

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

(₹ in Crore)

Particulars	31 March, 2017	31 March, 2016
Gross Block		
At the beginning of the year	143.04	93.62
Additions during the year	33.45	49.42
Deductions / Adjustments during the year	2.48	-
Closing Balance	**174.01**	**143.04**

Depreciation / Amortisation		
At the beginning of the year	93.48	71.77
Charge for the year	27.75	21.71
Deductions / Adjustments during the year	0.96	-
Depreciation to date	**120.27**	**93.48**
Net Block	**53.74**	**49.56**

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 this year.

4.4. **Operating Leases:**

Lease payments for assets taken on operating lease are recognised as an expense in the Profit and Loss Account as per the lease terms. During the year an amount of ₹ 131.49 Crore (Previous year: ₹ 127.58 Crore) was charged to Profit and loss account.

4.5 **Provisions and Contingencies**

a) Movement in provision for frauds included under other liabilities: (₹ in Crore)

	31 March 2017	**31 March 2016**
Opening balance at the beginning of the year	5.82	6.64
Additions during the year	0.72	0.42
Reductions on account of payments during the year	-	-
Reductions on account of reversals during the year	2.49	1.24
Balance at the end of the year	**4.05**	**5.82**

b) Movement in provision for debit card reward points:

(₹ in Crore)

	31 March 2017	**31 March 2016**
Opening provision at the beginning of the year	1.92	2.25
Provision made during the year	4.02	0.77
Reductions during the year	1.86	1.10
Closing provision at the end of the year *	**4.08**	**1.92**

* The closing provision is based on the actuarial valuation of accumulated debit card reward points. This amount will be utilised towards redemption of the debit card reward points.

c) Movement in provision for other contingencies:

(₹ in Crore)

	31 March 2017	**31 March 2016**
Opening provision at the beginning of the year	40.03	145.54
Provision made during the year	25.24	29.23
Reductions during the year	5.21	134.74
Closing provision at the end of the year	**60.06**	**40.03**

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

(₹ in Crore)

Particulars	2016-17	2015-16
Provision for Income tax		
a) Current tax	678.95	339.02
b) Deferred tax	(203.24)	(95.02)

4.7 **Description of contingent liabilities:**

a) Claims against the Bank not acknowledged as debts

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

b) Liability on account of forward exchange and derivative contracts

The Bank enters into Forward exchange contracts on its own account and on behalf of its customers. Forward exchange contracts are commitments to buy or sell foreign currency at a future date at the contracted rate.

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 Fund (DEAF)

Refer schedule 12 for amounts relating to contingent liability.

4.8 **Provisioning Pertaining to Fraud Accounts**

The Bank has reported 68 cases (Previous year: 65 cases) of fraud in the Financial year ended 31 March, 2017 amounting to ₹ 259.19 Crore (Previous Year: ₹ 82.07 Crore) and has provided for the same in the books of account. Bank does not have any unamortised loss in this regard as of March 31, 2017.

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

The aggregate amount of participation purchased by the Bank, shown as advances as per regulatory guidelines, outstanding as of March 31, 2017 was ₹ 1981.27 Crore (Previous Year: ₹ 1254.98).

The aggregate amount of the participation issued by the Bank, reduced from advances as per regulatory guidelines, outstanding as of March 31, 2017 was ₹ 150.00 Crore (Previous Year: ₹ NIL).

4.10 **Factoring Exposure**

The factoring exposure of the Bank as on March 31, 2017 is ₹ 1055.67 Crore (Previous Year: ₹ NIL)

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

As per RBI Circular FIDD.CO.Plan.BC.23/04.09.01/2015-16 dated April 7, 2016 the PSLCs purchased and sold during the year March 31, 2017 is given below:

(₹ in Crore)

Particulars	Purchased (Face value)	Sold (Face value)
PSLC – Agriculture	-	-
PSLC – SF/MF	-	-
PSLC – Micro Enterprises	275.00	-
PSLC - General	-	-

4.12 **Provision for Long Term contracts**

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

4.13 **Corporate Social Responsibility (CSR)**

(₹ in Crore)

Particulars	For the year ended 31st March, 2017	For the year ended 31st March, 2016
Amount required to be spent	23.02	26.18
Amount spent during the year	15.42	12.30

The Bank has spent of 1.34 % of its average net profit for the last three financial years as part of its CSR activities for the year ended March 31, 2017. As a responsible Bank, it has approached the mandatory requirements of CSR spend positively by utilising the reporting year to lay a foundation on which to build and scale future projects and partnerships. The Bank is currently in the process of evaluating strategic avenues for CSR expenditure in order to deliver maximum impact. In the years to come, the Bank will further strengthen its processes as per requirement.

4.14 **Investor education and protection fund**

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

4.15 **Disclosure on Specified Bank Notes:**

The Bank believes that the MCA notification G.S.R. 308(E) dated March 30, 2017 regarding holdings as well as dealings in Specified Bank Notes during the period from 8th November, 2016 to 30th December, 2016 is not applicable to banking companies.

4.16 **Small and Micro Industries**

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

4.17 The figures for the year ended March 31, 2016 were audited by previous statutory auditors.

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

For and on behalf of the Board of Directors

Krishnakumar K Deputy General Manager	Girish Kumar Ganapathy Company Secretary	Ashutosh Khajuria Executive Director & CFO	Ganesh Sankaran Executive Director

K M Chandrasekhar Chairman	Shyam Srinivasan Managing Director & CEO

Directors:

Nilesh S Vikamsey

Dilip G Sadarangani

Harish H Engineer

Grace Elizabeth Koshie

Shubhalakshmi Panse

C Balagopal

Place: Kochi

Date: 28th April, 2017

B S R & Co. LLP
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M.M. Nissim & Co.
Chartered Accountants
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3rd Floor, 81,
Dr. Annie Besant Road,
Worli, Mumbai- 400 018

Independent Auditors' Report

To The Members of The Federal Bank Limited
Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of **THE FEDERAL BANK LIMITED** (hereinafter referred to as 'the Holding Company'), its subsidiary and its associate (the Holding Company, the subsidiary and its associate together referred to as the 'the Group'), which comprise the Balance Sheet as at 31 March 2017, the Profit and Loss Account, the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as 'the consolidated financial statements').

Management's Responsibility for the Consolidated Financial Statements

The Holding Company's Board of Directors is responsible for the preparation of these consolidated financial statements in terms of the requirement of the Companies Act, 2013 (hereinafter referred to as 'the Act') that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules 2014, provisions of Section 29 of the Banking Regulation Act, 1949 and the circulars, guidelines and directions issued by the Reserve Bank of India ('RBI') from time to time.

The respective Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Group and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the directors of the Holding Company, as aforesaid.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. While conducting our audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Independent Auditor's Report (Continued)

Report on the Consolidated Financial Statements

Auditors' Responsibility (Continued)

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Holding Company's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Holding Company's Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained by us and the audit evidence obtained by the other auditors in terms of their report referred to in the Other Matter paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated financial statements give the information required by the Act in the manner so required for banking companies and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group as at 31 March 2017, and their consolidated profit and their consolidated cash flows for the year ended on that date.

Other Matters

The consolidated financial statements of the Group for the year ended 31 March 2016 were audited by another auditor who expressed an unmodified opinion on those statements on 30 April 2016.

We did not audit the financial statements of the subsidiary included in the consolidated financial results, whose financial statements reflect total assets of Rs. 101,089 lakhs as at 31 March 2017, total revenues of Rs. 13,458 lakhs for the year ended 31 March 2017, as considered in the consolidated financial results. These financial statements have been audited by other auditor whose report has been furnished to us by the Management and our opinion on the Statement, in so far as it relates to the amounts and disclosures included in respect of the subsidiary, is based solely on the report of the other auditor

The consolidated financial results also include the share of profit of Rs. 1,355 lakhs for the year ended 31 March 2017, as considered in the consolidated financial results, in respect of an associate, based on its unaudited financial statements. Our opinion on the Statement, in so far as it relates to the amounts and disclosures included in respect of this associate, is based solely on such unaudited financial statements as certified by the Management of that associate. Our opinion on the Statement is not modified in respect of our reliance on the financial statements certified by the Management

Independent Auditor's Report (Continued)

Report on the Consolidated Financial Statements

Report on Other Legal and Regulatory Requirements

The disclosure required on holdings as well as dealings in Specified Bank Notes (SBNs) during the period from 8 November 2017 to 30 December 2017 as envisaged in notification GSR 308(E) dated 30 March 2017 issued by the Ministry of Corporate Affairs, is not applicable to the Bank. The aforesaid disclosure is disclosed in the audited financial statement of the subsidiary. Refer Note No. 1.20 of Schedule 18 to the consolidated financial statements.

Further, as required by Section 143 (3) of the Act, we further 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 of the aforesaid consolidated financial statements;

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

(c) the consolidated balance sheet, the consolidated profit and loss account and the consolidated cash flow statement dealt with by this report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements;

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

(e) on the basis of the written representations received from the directors of the Holding Company as on 31 March 2017 taken on record by the Board of Directors of the Holding Company and the reports of the statutory auditors of its subsidiary companies incorporated in India, none of the directors of the Group is disqualified as on 31 March 2017 from being appointed as a director in terms of Section 164 (2) of the Act;

(f) with respect to the adequacy of the internal financial controls over financial reporting of the Group and the operating effectiveness of such controls, refer to our separate Report in "Annexure A"; and

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

Independent Auditor's Report (Continued)

Report on the Consolidated Financial Statements

Report on Other Legal and Regulatory Requirements (Continued)

(i) the consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group – Refer Schedule 12 and Note No. 1.15 of Schedule 18 to the consolidated financial statements;

(ii) provision has been made in the consolidated financial statements, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts - Refer Note No. 1.16 of Schedule 18 to the consolidated financial statements;

(iii) there has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company, its subsidiary and its associate.

For **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No: 101248W / W-100022

For **M.M. Nissim & Co.**
Chartered Accountants
Firm's Registration No: 107122W

Venkataramanan Vishwanath
Partner
Membership No: 113156
Mumbai
28 April 2017

Sanjay Khemani
Partner
Membership No: 044577
Mumbai
28 April 2017

ANNEXURE A to the Independent Auditor's Report of even date on the Consolidated Financial Statements of The Federal Bank Limited

Report on the Internal Financial Controls under clause (i) of sub-section 3 of Section 143 of the Companies Act, 2013

In conjunction with our report of the consolidated financial statements of The Federal Bank Limited, its subsidiary and its associate (collectively referred to as 'the Group') as of and for the year ended 31 March 2017, we have audited the internal financial controls over financial reporting of The Federal Bank Limited (hereinafter referred to as 'the Holding Company'), its subsidiary and its associate, which are companies incorporated in India, as of that date.

Management's Responsibility for Internal Financial Controls

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

Auditors' Responsibility

Our responsibility is to express an opinion on the Group's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing ('the Standards'), issued by the ICAI and deemed to be prescribed 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 auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditors in terms of their reports referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the Group's internal financial controls system over financial reporting.

ANNEXURE A to the Independent Auditor's Report of even date on the Consolidated Financial Statements of The Federal Bank Limited (Continued)

Meaning of Internal Financial Controls over Financial Reporting

A company'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 company'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 company; (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 company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company'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, 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 Holding Company, its subsidiary and its associates have, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2017, based on the internal control over financial reporting criteria established by the Group considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the ICAI.

Other matters

Our aforesaid reports under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting insofar as it relates to its subsidiary company, which is a company incorporated in India, is based on the corresponding report of the auditor of such company and with regard to one of its associate, which is a company incorporated in India, is based on the management certified report.

ANNEXURE A to the Independent Auditor's Report of even date on the Consolidated Financial Statements of The Federal Bank Limited (Continued)

Other matters (Continued)

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

For **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No: 101248W / W-100022

For **M.M. Nissim & Co.**
Chartered Accountants
Firm's Registration No: 107122W

Venkataramanan Vishwanath
Partner
Membership No: 113156
Mumbai
28 April 2017

Sanjay Khemani
Partner
Membership No: 044577
Mumbai
28 April 2017

THE FEDERAL BANK LIMITED
CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2017

(` in Thousands)

	Sch No.	As at 31 March 2017	As at 31 March 2016
CAPITAL AND LIABILITIES			
Capital	1	34,48,087	34,37,890
Reserves and Surplus	2	8,60,65,607	7,72,03,364
Deposits	3	97,66,20,755	79,17,08,998
Borrowings	4	6,34,54,927	5,23,63,166
Other Liabilities and Provisions	5	2,52,67,976	2,23,43,904
Total		**1,15,48,57,352**	**94,70,57,322**
ASSETS			
Cash and Balances with Reserve Bank of India	6	4,57,82,688	3,77,69,585
Balances with banks and money at call and short notice	7	2,87,63,723	1,64,61,843
Investments	8	27,91,22,590	24,92,04,688
Advances	9	74,08,62,295	58,41,97,745
Fixed assets	10	49,23,439	52,36,392
Other assets	11	5,54,02,617	5,41,87,069
Total		**1,15,48,57,352**	**94,70,57,322**
Contingent liabilities	12	23,23,56,853	20,25,41,221
Bills for collection		2,56,83,452	1,51,68,300
Significant Accounting Policies	17		
Notes on Accounts	18		
Schedules referred to above form an integral part of the Consolidated Balance Sheet			

For and on behalf of the Board of Directors

Krishnakumar K
Deputy General Manager

Girish Kumar Ganapathy
Company Secretary

Ashutosh Khajuria
Executive Director & CFO

Ganesh Sankaran
Executive Director

K M Chandrasekhar
Chairman

Shyam Srinivasan
Managing Director & CEO

In terms of our report attached

For **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No:
101248W/W-100022

For **M. M. Nissim & Co.**
Chartered Accountants
Firm's Registration No:
107122W

Venkataramanan Vishwanath
Partner
Membership No: 113156

Sanjay Khemani
Partner
Membership No: 044577

Directors:

Nilesh S Vikamsey

Dilip G Sadarangani

Harish H Engineer

Grace Elizabeth Koshie

Shubhalakshmi Panse

C Balagopal

Place: Kochi
Date : 28th April 2017

THE FEDERAL BANK LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2017

(· in Thousands)

	Sch No.	Year ended 31 March 2017	Year ended 31 March 2016
I. INCOME			
Interest earned	13	8,78,32,723	7,82,62,766
Other income	14	1,08,37,713	80,83,579
Total		**9,86,70,436**	**8,63,46,345**
II. EXPENDITURE			
Interest expended	15	5,65,25,794	5,25,93,516
Operating expenses	16	2,25,25,008	1,93,15,975
Provisions and contingencies		1,10,86,453	95,57,831
Total		**9,01,37,255**	**8,14,67,322**
III. NET PROFIT FOR THE YEAR		**85,33,181**	**48,79,023**
Share in Profit/ (Loss) of Associate		1,35,493	(14,837)
IV. CONSOLIDATED NET PROFIT ATTRIBUTABLE TO GROUP		**86,68,674**	**48,64,186**
Balance in Profit and Loss Account brought forward from previous year		1,02,24,025	1,04,94,689
V. AMOUNT AVAILABLE FOR APPROPRIATION		**1,88,92,699**	**1,53,58,875**
VI. APPROPRIATIONS			
Transfer to Revenue Reserve		13,14,286	4,54,011
Transfer to Statutory Reserve		20,76,971	11,89,120
Transfer to Capital Reserve		6,58,459	63,365
Transfer to/(from) Investment Reserve Account		(1,44,930)	(82,119)
Transfer to Special Reserve		4,60,000	3,20,000
Transfer to Reserve under Sec 45 IC of RBI Act		45,060	24,508
Dividend (including tax/cess thereon) pertaining to previous year paid during the year		242	1,511
Proposed dividend (Note 1.1 E of Schedule 18)		-	12,03,289
Tax on proposed dividend (Note 1.1 E of Schedule 18)		-	2,45,274
Transfer to Share capital pursuant to issue of Bonus shares		-	17,15,891
Balance carried over to Consolidated Balance Sheet		1,44,82,611	1,02,24,025
Total		**1,88,92,699**	**1,53,58,875**
Earnings per Share (Face value of ₹ 2/- each) (₹) (Note 1.6 of Schedule 18)			
Basic		5.04	2.83
Diluted		4.96	2.82
Significant Accounting policies	17		
Notes on Accounts	18		
Schedules referred to above form an integral part of the Consolidated Profit and Loss account			

For and on behalf of the Board of Directors

Krishnakumar K
Deputy General Manager

Girish Kumar Ganapathy
Company Secretary

Ashutosh Khajuria
Executive Director & CFO

Ganesh Sankaran
Executive Director

K M Chandrasekhar
Chairman

Shyam Srinivasan
Managing Director & CEO

In terms of our report attached

For **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No:
101248W/W-100022

For **M. M. Nissim & Co.**
Chartered Accountants
Firm's Registration No:
107122W

Venkataramanan Vishwanath
Partner
Membership No: 113156

Sanjay Khemani
Partner
Membership No: 044577

Directors:

Nilesh S Vikamsey

Dilip G Sadarangani

Harish H Engineer

Grace Elizabeth Koshie

Shubhalakshmi Panse

C Balagopal

Place: Kochi
Date : 28th April 2017

THE FEDERAL BANK LIMITED

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH, 2017

(` in Thousands)

	Year ended 31 March 2017	Year ended 31 March 2016
Cash Flow from Operating Activities		
Net Profit before taxes	1,35,55,252	73,70,258
Adjustments for:		
Depreciation on Bank's Property	12,39,133	10,81,723
Depreciation on Investments	2,42,010	1,67,434
Amortisation of Premium on Held to Maturity Investments	4,76,526	3,53,411
Provision for Non Performing Investments	53,500	6,34,189
Provision / Charge for Non Performing Assets	40,51,627	55,55,174
Provision on Standard Assets	8,00,345	3,02,341
(Profit)/ Loss on sale of fixed assets (net)	(879)	4,495
(Income) / Loss From Associate	(1,35,493)	14,837
Provision for Restructured assets	67,564	(2,08,598)
Provision for Other Contingencies	9,84,829	6,01,219
	2,13,34,414	**1,58,76,483**
Adjustments for working capital changes:-		
(Increase)/ Decrease in Investments	(76,41,122)	(4,40,44,385)
(Increase)/ Decrease in Advances	(16,07,16,178)	(7,44,61,047)
(Increase)/ Decrease in Other Assets	(19,64,223)	10,69,376
Increase/ (Decrease) in Deposits	18,49,11,758	8,34,82,119
Increase/ (Decrease) in Other liabilities and provisions	25,19,896	29,40,156
Direct taxes paid	(41,37,903)	(4,32,059)
Net Cash Flow from / (Used in) Operating Activities	**3,43,06,642**	**(1,55,69,357)**
Cash Flow from Investing Activities		
Purchase of Fixed Assets	(9,50,249)	(16,10,868)
Proceeds from Sale of Fixed Assets	24,950	15,100
(Increase)/ Decrease in Held to Maturity Investments	(2,29,13,323)	2,15,00,186
Net Cash generated / (Used in) Investing Activities	**(2,38,38,622)**	**1,99,04,418**
Cash Flow from Financing Activities		
Proceeds from Issue of Share Capital	10,196	8,693
Proceeds from Share Premium	1,98,169	2,15,627
Repayment of Subordinate Debt	(20,00,000)	-
Increase/(Decrease) in Borrowings (Excluding Subordinate Debt)	1,30,91,761	40,97,367
Dividend Paid (Including Tax on Dividend)	(14,48,805)	(22,69,854)
Net Cash generated from financing Activities	**98,51,321**	**20,51,833**
Effect of exchange fluctuation on translation reserve	**(4,358)**	**93**
Increase/(Decrease) in Cash & Cash Equivalents	**2,03,14,983**	**63,86,987**

(` in Thousands)

	Year ended 31 March 2017	Year ended 31 March 2016
Cash and Cash Equivalents at the beginning of year	5,42,31,428	4,78,44,441
Cash and Cash Equivalents at the end of year	7,45,46,411	5,42,31,428

Note:

Cash and cash equivalents comprise of cash on hand (including foreign currency notes), Balances with Reserve Bank of India, Balance with Banks and Money at Call and Short notice (Refer schedules 6 and 7 of the Consolidated Balance sheet)

For and on behalf of the Board of Directors

Krishnakumar K
Deputy General Manager

Girish Kumar Ganapathy
Company Secretary

Ashutosh Khajuria
Executive Director & CFO

Ganesh Sankaran
Executive Director

K M Chandrasekhar
Chairman

Shyam Srinivasan
Managing Director & CEO

Directors:

Nilesh S Vikamsey

Dilip G Sadarangani

Harish H Engineer

Grace Elizabeth Koshie

Shubhalakshmi Panse

C Balagopal

In terms of our report attached

For **B S R & Co. LLP**
Chartered Accountants
Firm's Registration No:
101248W/W-100022

Venkataramanan Vishwanath
Partner
Membership No: 113156

For **M. M. Nissim & Co.**
Chartered Accountants
Firm's Registration No:
107122W

Sanjay Khemani
Partner
Membership No: 044577

Place: Kochi
Date : 28th April 2017

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

(· in Thousands)

	As at 31 March 2017	As at 31 March 2016
SCHEDULE 1 - CAPITAL		
Authorised Capital 250,00,00,000 (Previous year 250,00,00,000) Equity Shares of ₹2/- each	50,00,000	50,00,000
Issued Capital 172,53,94,459 (Previous year 172,02,95,889) Equity Shares of ₹2/- each	34,50,789	34,40,592
Subscribed, Called-up and Paid-up Capital 172,40,45,414 (Previous year 171,89,46,844) Equity Shares of ₹2/-each	34,48,091	34,37,894
Less: Calls in arrears	4	4
Total	**34,48,087**	**34,37,890**
Also refer Note 1.1 of Schedule 18		

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

(· in Thousands)

	As at 31 March 2017	As at 31 March 2016
SCHEDULE 2 - RESERVES AND SURPLUS		
I. Statutory Reserve		
Opening balance	1,85,93,244	1,74,04,124
Additions during the year	20,76,971	11,89,120
	2,06,70,215	**1,85,93,244**
II. Capital Reserves		
(a) Revaluation Reserve		
Opening balance	50,091	50,091
Deductions during the year	-	-
	50,091	**50,091**
(b) Others		
Opening balance	24,16,138	23,52,773
Additions during the year*	6,58,459	63,365
	30,74,597	**24,16,138**
	31,24,688	**24,66,229**
III. Share premium		
Opening balance	2,50,84,585	2,48,68,958
Additions during the year#	1,98,169	2,15,627
	2,52,82,754	**2,50,84,585**
IV. Revenue and Other Reserves		
a) Revenue Reserve		
Opening Balance	1,49,71,562	1,45,17,551
Additions during the year	13,14,286	4,54,011
Deductions during the year	-	-
	1,62,85,848	**1,49,71,562**
b) Other Reserves		
Investment Fluctuation Reserve		
Opening Balance	18,97,200	18,97,200
Additions during the year	-	-
	18,97,200	**18,97,200**
c) Special Reserve (As per section 36(1)(viii) of Income Tax Act)		
Opening balance	32,09,900	28,89,900
Addition during the year	4,60,000	3,20,000
	36,69,900	**32,09,900**
V. Investment Reserve Account		
Opening balance	3,80,651	4,62,770
Addition during the year	-	-
Deductions during the year	1,44,930	82,119
	2,35,721	**3,80,651**
VI. Foreign Currency Translation Reserve		
Opening Balance	93	-
Additions during the year [Refer Schedule 17 (5.5)]	(4,358)	93
	(4,265)	**93**
VII. Contingency Reserve		
Opening balance	3,01,003	3,01,003
	3,01,003	**3,01,003**
VIII. Reserve Fund		
Opening balance	73,839	49,331
Addition during the year	45,060	24,508
	1,18,899	**73,839**
IX. General Reserve		
Opening balance	1,033	1,033
	1,033	**1,033**
X. Balance in Consolidated Profit and Loss Account	**1,44,82,611**	**1,02,24,025**
Total	**8,60,65,607**	**7,72,03,364**

* - Includes Profit appropriated to Capital Reserve (net of applicable taxes and transfer to statutory reserve) on Gain on sale of Held to Maturity Investments ₹ 658,459 Thousands (Previous year ₹ 63,365 Thousands)

- Represents amount received on exercise of Employee stock options

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

(` in Thousands)

	As at 31 March 2017	As at 31 March 2016
SCHEDULE 3 - DEPOSITS		
A. I. Demand Deposits		
i. From Banks	13,01,173	13,13,810
ii. From Others	5,52,25,729	4,49,90,025
	5,65,26,902	**4,63,03,835**
II. Savings Bank Deposits	26,39,76,655	21,42,22,059
III. Term Deposits		
i. From Banks	1,82,58,525	51,39,728
ii. From Others	63,78,58,673	52,60,43,376
	65,61,17,198	**53,11,83,104**
Total	**97,66,20,755**	**79,17,08,998**
B. I. Deposits of branches in India	97,66,20,755	79,17,08,998
II. Deposits of branches outside India	-	-
Total	**97,66,20,755**	**79,17,08,998**
SCHEDULE 4 - BORROWINGS		
I.Borrowings in India		
i. Reserve Bank of India	-	2,93,80,000
ii. Other Banks #	1,69,79,360	16,89,500
iii. Other institutions and agencies ##	3,26,47,606	1,66,94,986
	4,96,26,966	**4,77,64,486**
II.Borrowings outside India	1,38,27,961	45,98,680
Total	**6,34,54,927**	**5,23,63,166**
Secured borrowings included in I and II above	1,34,46,058	88,38,182
# Borrowings from other banks include Subordinated Debt of ₹ NIL (Previous Year ₹ 322,000 Thousands) in the nature of Non Convertible Debentures (included in Tier II capital).		
## Borrowings from other Institutions and agencies include Subordinated Debt of ₹ NIL (Previous Year ₹1,678,000 Thousands) in the nature of Non Convertible Debentures (included in Tier II capital).		
SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS		
I. Bills Payable	68,464	93,265
II. Inter - office adjustments (Net)	31,09,610	21,49,956
III. Interest accrued	31,52,044	23,24,723
IV. Others (including provisions)*	1,89,37,858	1,77,75,960
Total	**2,52,67,976**	**2,23,43,904**
*Includes :-		
(a) Contingent provision against standard assets	39,82,876	31,82,536
(b) Proposed Dividend (Refer Note 1.1 E of Schedule 18)	-	12,03,289
(c) Tax on Proposed Dividend (Refer Note 1.1 E of Schedule 18)	-	2,45,274

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

(` in Thousands)

	As at 31 March 2017	As at 31 March 2016
SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA		
I. Cash in hand (including foreign currency notes)	62,30,243	56,01,923
II. Balance with Reserve Bank of India		
i. in Current Accounts	3,95,52,445	3,21,67,662
ii. in Other Accounts	-	-
Total	**4,57,82,688**	**3,77,69,585**
SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE		
I. In India		
i. Balances with banks		
a. in Current Accounts	12,84,340	46,32,159
b. in Other Deposit Accounts	4,05,000	5,07,000
ii. Money at call and short notice		
a. With Banks	-	-
b. With other institutions	1,45,00,000	-
Total	**1,61,89,340**	**51,39,159**
II. Outside India		
i. in Current Accounts	19,04,170	3,90,609
ii. in Other Deposit Accounts	1,03,94,600	1,09,32,075
iii. Money at call and short notice	2,75,613	-
Total	**1,25,74,383**	**1,13,22,684**
Grand Total (I and II)	**2,87,63,723**	**1,64,61,843**

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

(• in Thousands)

	As at 31 March 2017	As at 31 March 2016
SCHEDULE 8 - INVESTMENTS		
I. Investments in India in :		
i. Government Securities ##	21,56,54,105	19,94,19,703
ii. Other approved Securities	-	-
iii. Shares	21,75,944	15,54,363
iv. Debentures and Bonds	1,40,76,123	1,69,90,389
v. Joint Venture $	17,65,239	16,29,746
vi. Others @	4,54,42,429	2,96,03,955
Total	**27,91,13,840**	**24,91,98,156**
II. Investments outside India- Shares	8,750	6,532
Grand Total (I and II)	**27,91,22,590**	**24,92,04,688**
Gross Investments		
In India	28,04,81,856	25,02,69,647
Outside India	9,344	8,141
	28,04,91,200	**25,02,77,788**
Depreciation/ Provision for Investments		
In India	13,68,016	10,71,491
Outside India	594	1,609
	13,68,610	**10,73,100**
Net Investments		
In India	27,91,13,840	24,91,98,156
Outside India	8,750	6,532
	27,91,22,590	**24,92,04,688**

Securities costing ₹ 74,435,550 Thousands (Previous Year ₹ 41,341,696 Thousands) pledged for availment of fund transfer facility, clearing facility and margin requirements

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

@ Includes:

(₹ in Thousands)

Particulars	As at 31 March 2017	As at 31 March 2016
Pass through certificates (PTCs)	9,99,996	63,573
Certificate of Deposits	1,68,73,221	1,18,38,290
Commercial Paper	1,98,80,022	1,10,92,995
Venture Capital Funds (VCFs)	2,16,941	3,81,198
Security Receipts	74,72,064	62,27,571
Others	185	328
	4,54,42,429	**2,96,03,955**

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

(₹ in Thousands)

	As at 31 March 2017	As at 31 March 2016
SCHEDULE 9 - ADVANCES (NET OF PROVISIONS)		
A. i. Bills purchased and discounted	2,56,07,697	1,40,41,982
ii. Cash credits, overdrafts and loans repayable on demand	37,61,14,750	32,56,93,382
iii. Term loans	33,91,39,848	24,44,62,381
Total	**74,08,62,295**	**58,41,97,745**
B. i. Secured by tangible assets $	62,28,00,398	48,95,35,150
ii. Covered by Bank/Government guarantees #	2,23,14,387	2,13,15,370
iii. Unsecured	9,57,47,510	7,33,47,225
Total	**74,08,62,295**	**58,41,97,745**
C. I. Advances in India		
i. Priority Sector	20,13,55,767	18,52,93,996
ii. Public Sector	41,49,361	52,52,443
iii. Banks	1,36,146	74,739
iv. Others	52,14,53,931	39,08,21,860
Total	**72,70,95,205**	**58,14,43,038**
II.Advances outside India	-	-
i. Due from Banks	6,61,437	-
ii. Due from Others		
a) Bills purchased and discounted	-	-
b) Syndicated Loans	71,24,583	-
c) Others	59,81,070	27,54,707
Total	**1,37,67,090**	**27,54,707**
Grand Total (C I and C II)	**74,08,62,295**	**58,41,97,745**
$ Includes Advances against book debts # Includes Advances against L/Cs issued by banks		

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

(· in Thousands)

	As at 31 March 2017	As at 31 March 2016
SCHEDULE 10 - FIXED ASSETS		
I OWNED ASSETS		
a.Premises #		
Gross Block		
At the beginning of the year	23,39,586	22,97,653
Additions during the year	83,064	41,933
Deductions during the year	-	-
Closing Balance	**24,22,650**	**23,39,586**
Depreciation		
As at the beginning of the year	7,96,102	7,41,164
Charge for the year	54,391	54,938
Deductions during the year	-	-
Depreciation to date	**8,50,493**	**7,96,102**
Net Block	**15,72,157**	**15,43,484**
b.Other fixed assets		
(including furniture and fixtures)		
Gross Block		
At the beginning of the year	97,38,203	81,62,678
Additions during the year	8,75,355	16,77,151
Deductions during the year	1,82,526	1,01,626
Closing Balance	**1,04,31,032**	**97,38,203**
Depreciation and Impairment Loss		
As at the beginning of the year	62,02,892	52,57,955
Charge for the year $	11,84,743	10,28,967
Deductions during the year	1,58,458	84,030
Depreciation to date	**72,29,177**	**62,02,892**
Net Block	**32,01,855**	**35,35,311**
II. Capital Work in progress (Including Capital Advances)	1,49,427	1,57,597
Total (I, II & III)	**49,23,439**	**52,36,392**

 # Includes buildings constructed on leasehold land at different places having original cost of ₹ 663,428 Thousands (Previous Year ₹ 655,643 Thousands) and Written down value of ₹ 500,797 Thousands (Previous Year ₹ 512,528 Thousands) with remaining lease period varying from 59 - 71 years

$ includes impairment loss of subsidiary company - ₹ NIL Thousands (Previous Year ₹ 2,182 Thousands)

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

	As at 31 March 2017	As at 31 March 2016
SCHEDULE 11 - OTHER ASSETS		
I. Inter - office adjustments (net)	-	-
II. Interest accrued	65,19,579	50,54,140
III. Tax paid in advance/tax deducted at source (Net of provision)	52,52,495	63,07,577
IV. Stationery and Stamps	49,489	45,485
V. Non-banking assets acquired in satisfaction of claims@	26,451	15,429
VI. Others#	4,35,54,603	4,27,64,438
Total	**5,54,02,617**	**5,41,87,069**
@ - Includes certain Non-Banking assets acquired in satisfaction of claims which are in the process of being transferred in the Bank's name		
# Includes		
(a)Priority sector shortfall deposits	3,38,90,279	3,34,57,992
(b) Deferred Tax Asset (Net)	8,87,767	5,81,361
SCHEDULE 12 - CONTINGENT LIABILITIES		
I. Claims against the Bank not acknowledged as debts	38,10,211	11,14,146
II. Liability on account of outstanding forward exchange contracts	16,45,67,630	14,24,21,170
III. Guarantees given on behalf of constituents - in India	4,79,54,495	4,39,96,473
IV. Acceptances, endorsements and other obligations	1,41,75,134	1,32,05,034
V. Other items for which the Bank is contingently liable@	18,49,383	18,04,398
Total	**23,23,56,853**	**20,25,41,221**
(Refer Note 1.15 of Schedule 18) @ - includes ₹ 932,590 Thousands (Previous Year ₹ 773,328 Thousands) being amount transferred to DEAF Cell, RBI and outstanding, as per RBI circular DBOD.No.DEAF Cell.BC.114/30.01.002/2013-14.		

SCHEDULES FORMING PART OF CONSOLIDATED THE PROFIT AND LOSS ACCOUNT

(• in Thousands)

	Year ended 31 March 2017	Year ended 31 March 2016
SCHEDULE 13 - INTEREST EARNED		
I. Interest/discount on advances/bills	6,65,61,036	5,74,81,809
II. Income on investments	1,79,68,603	1,76,23,421
III.Interest on balances with Reserve Bank of India and other inter-bank funds	9,89,331	5,59,631
IV. Others*	23,13,753	25,97,905
Total	**8,78,32,723**	**7,82,62,766**
* - Includes interest on Income tax refunds amounting to ₹ 468,420 Thousands (Previous year ₹ 408,492 Thousands) accounted based on Assessment orders received.		
SCHEDULE 14 - OTHER INCOME		
I. Commission, exchange and brokerage	57,60,611	44,07,501
II. Profit on sale of investments (Net)	30,86,508	12,75,129
III. Profit on revaluation of investments (Net)	-	-
IV. Profit / Loss on sale of land, buildings and other assets (Net)	879	(4,495)
V. Profit on foreign exchange transactions (Net)	12,76,827	13,04,908
VI. Income earned by way of dividends etc. from companies in India	-	-
VII.Miscellaneous income [Includes Recoveries in assets written off ₹ 552,080 Thousands (Previous Year ₹ 889,322 Thousands)]	7,12,888	11,00,536
Total	**1,08,37,713**	**80,83,579**

SCHEDULES FORMING PART OF CONSOLIDATED THE PROFIT AND LOSS ACCOUNT

(` in Thousands)

	Year ended 31 March 2017	Year ended 31 March 2016
SCHEDULE 15 - INTEREST EXPENDED		
I. Interest on deposits	5,40,35,975	5,06,12,589
II. Interest on Reserve Bank of India/Inter bank borrowings	2,23,887	89,818
III.Others	22,65,932	18,91,109
Total	**5,65,25,794**	**5,25,93,516**
SCHEDULE 16 - OPERATING EXPENSES		
I. Payments to and provisions for employees	1,18,93,381	1,07,42,145
II. Rent, taxes and lighting	22,22,665	20,81,385
III. Printing and stationery	2,73,319	1,74,907
IV. Advertisement and publicity	1,12,003	49,016
V. Depreciation on Bank`s property	12,39,133	10,81,723
VI. Directors' fees, allowances and expenses	22,668	20,377
VII. Auditors' fees and expenses (including branch auditors' fees and expenses)	75,806	74,542
VIII.Law charges	1,19,181	98,510
IX. Postage, Telegrams, Telephones etc	5,69,232	4,81,942
X. Repairs and maintenance	6,21,085	5,74,392
XI. Insurance	8,50,206	7,39,620
XII. Other expenditure*	45,26,329	31,97,416
Total	**2,25,25,008**	**1,93,15,975**
* - Includes expenditure on Corporate Social Responsibility - ₹ 155,772 Thousands (Previous Year ₹ 124,527 Thousands)		

THE FEDERAL BANK LIMITED

SCHEDULE 17 : SIGNIFICANT ACCOUNTING POLICIES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2017

1. Background

The Federal Bank Limited ('FBL' or the 'Bank') together with its subsidiary (collectively, the 'Group') and associate is a diversified financial services group providing a wide range of banking and financial services including commercial banking, retail banking, project and corporate finance, working capital finance, insurance and treasury products and services. Operations of the Group are spread all over India.

The Bank was incorporated in 1931 as Travancore Federal Bank Limited to cater to the banking needs of Travancore Province. It embarked on a phase of sustained growth under the leadership of Late K.P. Hormis. The bank is governed by Banking Regulation Act, 1949 and other applicable acts/ regulations.

The bank had set up an International Financial Service Centre (IFSC) Banking unit (IBU) in Gujarat International Finance Tec-City (GIFT City) in line with global financial centres of Singapore and Dubai. IBU at Gift city is equivalent to an Offshore Banking unit, for all regulatory purposes.

2. Principles of consolidation

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

Name of the entity	Relationship	Country of Incorporation	Ownership held by	% of Holding and voting power either directly or indirectly through subsidiary as at	
				31 March, 2017	31 March, 2016
Fedbank Financial Services Limited (FFSL or Subsidiary)	Subsidiary Company	India	The Federal Bank Limited	100	100
IDBI Federal Life Insurance Company Limited (Associate)	Associate	India	The Federal Bank Limited	26	26
			IDBI Bank Limited	48	48
			Ageas Insurance International N.V	26	26

(ii) The audited financial statements of the subsidiary company and the audited financial statements of the associate have been drawn up to the same reporting date as that of the Bank, i.e. 31 March, 2017.

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

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

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

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

3. **Basis of accounting and preparation of consolidated financial statements**

The consolidated financial statements of the Bank and its subsidiary (together the 'Group') have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards prescribed under Section 133 of the Companies Act, 2013 and the relevant provisions of the Companies Act, 2013 ("the Act") as applicable and current practices prevailing within the Banking Industry in India. Suitable adjustments are made to align with the format prescribed under the Banking Regulation Act, 1949. The consolidated financial statements have been prepared on accrual basis under historical cost convention, except in the case of interest income on Non- Performing Assets (NPAs) and loans under Scheme for Sustainable Structuring of Stressed Assets (S4A) and Strategic Debt restructuring (SDR) scheme of RBI where it is recognised upon realisation as per RBI guidelines. The accounting policies adopted in the preparation of financial statements are consistent with those followed in the previous year.

4. **Use of estimates**

The preparation of the consolidated financial statements in conformity with Indian GAAP requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) and the reported income and expenses during the year. The Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ due to these estimates and the differences between the actual results and the estimates are recognised in the periods in which the results are known / materialise.

5. Significant Accounting Policies

Significant Change in Accounting Policy:
Proposed Dividend

In terms of revised Accounting Standard (AS) 4 "Contingencies and Events occurring after the Balance sheet date" as notified by the Ministry of Corporate affairs through amendments to Companies (Accounting Standards) Amendment Rules, 2016 dated March 30, 2016, the Group has not accounted for proposed dividend as a liability as at March 31, 2017. Proposed dividend was however accounted as a liability as at March 31, 2016, in line with existing accounting standard applicable at that time.

5.1. Revenue Recognition

- Interest income is recognised on an accrual basis except interest income on non-performing assets, loans under Scheme for Sustainable Structuring of Stressed Assets (S4A) and Strategic Debt restructuring (SDR) scheme of RBI which is recognised upon receipt in accordance with AS-9, Revenue Recognition as prescribed under Section 133 of the Companies Act, 2013 and as specified in RBI guidelines.
- Interest on income tax refund is recognised in the year of passing of Assessment Orders.
- The recoveries made from NPA accounts are appropriated first towards unrealized interest/income debited to borrowers accounts, then expenditure/out of pocket expenses incurred and lastly towards principal dues.
- 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.

5.2. **Advances**

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

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

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

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

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

The Bank maintains general provision for standard assets including credit exposures computed as per the current marked-to-market values of interest rate and foreign exchange derivative contracts, in accordance with the guidelines and at levels stipulated by RBI from time to time – Farm Credit to agricultural activities and Small and Micro Enterprises (SMEs) 0.25%, Commercial Real Estate at 1%, restructured advances at 5%, teaser rate housing loans at 2%, commercial real estate- residential housing at 0.75% and for other sectors at 0.40%.

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 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.

Loss on sale of assets to Asset Reconstruction Companies

The RBI issued guidelines on sale of non-performing advances on February 26, 2014. In accordance with these guidelines, if the sale of non- performing advances is at a price below the net book value, the shortfall is charged to the Profit and Loss Account spread over a period of two years. 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.

5.3. **Country risk**

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

5.4. **Investments**

The Bank

Classification

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

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

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

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

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

Transfer of securities between Categories

Transfer of securities between categories is done at the lower of the acquisition cost / book value / market value on the date of the transfer and the depreciation, if any, on such transfer is fully provided for, as per RBI guidelines.

Acquisition Cost

In determining the acquisition cost of the Investment:

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

Valuation

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

a) Held for Trading /Available for Sale– Investments classified under the AFS and HFT categories are marked-to-market. The market/fair value of quoted investments included in the 'AFS' and 'HFT' categories is the Market Price of the Scrip as available from the trades/ quotes on the stock exchanges or prices declared by Primary Dealers Association of India ('PDAI') jointly with Fixed Income Money Market and Derivative Associations of India ('FIMMDA'), periodically. Net depreciation, if any, within each category of each investment classification is recognised in Consolidated Profit and Loss Account. The net appreciation, if any, under each category of each Investment is ignored. 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 of government securities are 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 and Certificate of Deposits being discounted instruments, are valued at carrying cost.

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

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

    - in case of unquoted bonds, debentures and preference shares where interest/dividend is received regularly (i.e. not overdue beyond 90 days), the market price is derived based on the Yield to Maturity (YTM) for Government Securities as published by FIMMDA/ PDAI and suitably marked up for credit risk applicable to the credit rating of the instrument. The matrix for credit risk mark-up for each categories and credit ratings along with residual maturity issued by FIMMDA are adopted for this purpose;

    - in case of bonds and debentures (including Pass Through Certificates or PTCs) where interest is not received regularly (i.e. overdue beyond 90 days), the valuation is in accordance with prudential norms for provisioning as prescribed by RBI;

- Equity shares, for which current quotations are not available or where the shares are not quoted on the stock exchanges, are valued at break-up value (without considering revaluation reserves, if any) which is ascertained from the company's latest Balance Sheet. In case the latest Balance Sheet is not available, the shares are valued at Re. 1/- per company;
- Depreciation on equity shares acquired and held by the Bank under SDR scheme is provided over a period of four calendar quarters from the date of conversion of debt into equity in accordance with the RBI guidelines.
- Units of Venture Capital Funds (VCF) held under AFS category where current quotations are not available are marked to market based on the Net Asset Value (NAV) shown by VCF as per the latest audited financials of the fund. In case the audited financials are not available for a period beyond 18 months, the investments are valued at Re.1/- per VCF. Investment in unquoted VCF after 23rd August, 2006 are categorised under HTM category for the initial period of three years and valued at cost as per RBI guidelines;
- Investment in security receipts are valued as per the Net Asset Value (NAV) obtained from the issuing Reconstruction Company /Securitisation Company.

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

g) The Bank follows trade date method of accounting for purchase and sale of investments, except for Government of India and State Government securities where settlement date method of accounting is followed in accordance with RBI Guidelines.

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

Disposal of Investments

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

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

Repo and Reverse Repo transactions

In accordance with the RBI guidelines repo and reverse repo transactions in government securities are reflected as borrowing and lending transactions respectively. Borrowing cost on repo transactions is accounted for as interest expense and revenue on reverse repo is accounted for as interest income.

Pursuant to RBI Circular FMRD.DIRD.10/14.03.002/2015-16 dated May 19, 2016, as amended, the bank has considered its repo/reverse repo transactions under Liquidity Adjustment Facility (LAF) and Marginal Standing Facility (MSF) of RBI as Borrowings/Lending, as the case may be. Hitherto, the repo/ reverse repo transactions under Liquidity Adjustment Facility (LAF) and Marginal Standing Facility (MSF) of RBI were included under Investments.

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. Such short positions are categorized under HFT category. These positions are marked –to-market along with the other securities under HFT Portfolio and resultant mark-to-market gains/losses are accounted for as per the relevant RBI guidelines for valuation of Investments discussed earlier.

The Subsidiary

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

The book value of investment is reduced to the extent of amount amortised during the relevant accounting period.

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

5.5. **Transactions involving foreign exchange**

Foreign currency income and expenditure items of domestic operations are translated at the exchange rates prevailing on the date of the transaction. Income and expenditure items of non- integral foreign operations (IBU at GIFT city) are translated at quarterly average closing rates.

Foreign currency monetary items of domestic operation are translated at the closing exchange rates notified by Foreign Exchange Dealer's Association of India (FEDAI) as at the Balance sheet date and the resulting net valuation profit or loss is recognized in the Consolidated profit and loss account.

Both Monetary and Non- Monetary foreign currency Assets and liabilities of Non-Integral Foreign Operations are translated at closing exchange rates notified by FEDAI at the balance sheet date and 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.

Foreign exchange spot and forward Contracts (Other than Foreign exchange swaps taken to hedge Federal Rupee plus deposits denominated in JPY) outstanding as at the Balance Sheet date are revalued at the closing Spot and Forward Rates respectively as notified by FEDAI and at interpolated rated 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 directed by FEDAI to consider profit or loss on present value basis, the forward profit or loss on the deals are discounted till the valuation date using the discounting yields. The resulting profit or loss on valuation is recognised in the Consolidated Profit and Loss Account.

Foreign exchange swaps taken to hedge Federal Rupee plus deposits denominated in JPY are translated at the prevailing spot rate at the time of swap. The Premium/ Discount on the swap arising out of the difference in the exchange rate of the swap date and maturity date of the underlying forward exchange contract is amortised over the period of the swap and the same is recognised in the Consolidated Profit and Loss Account.

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

5.6. 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 other than those designated as hedges are recognised in the Consolidated Profit and Loss Account.

5.7. Fixed assets and depreciation

Fixed assets are carried at cost of acquisition less accumulated depreciation and impairment, if any. Cost includes cost of purchase and all expenditure like freight, duties, taxes and incidental expenses related to the acquisition and installation of the asset.

Capital work-in-progress includes cost of fixed assets that are not ready for their intended use and also 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 a straight-line basis at the rates and manner prescribed in Schedule II of the Companies Act, 2013, 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. Improvement to leased Premises are depreciated over 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.

Depreciation on assets sold during the year is recognised on a pro-rata basis till the date of sale.

Profit on sale of premises is appropriated to Capital Reserve account in accordance with RBI instructions.

5.8. **Impairment of Assets**

The carrying values of assets at each balance sheet date are reviewed for impairment, if any indication of impairment exists. If the carrying amount of the assets exceed the estimated recoverable amount, an impairment is recognised for such excess amount. The impairment loss is recognised as an expense in the Profit and Loss Account, unless the asset is carried at revalued amount, in which case any impairment loss of the revalued asset is treated as a revaluation decrease to the extent a revaluation reserve is available for that asset.

The recoverable amount is the greater of the net selling price and their value in use. Value in use is arrived at by discounting the future cash flows to their present value based on an appropriate discount factor.

When there is indication that an impairment loss recognised for an asset (other than a revalued asset) in earlier accounting periods no longer exists or may have decreased, such reversal of impairment loss is recognised in the Profit and Loss Account, to the extent the amount was previously charged to the Profit and Loss Account. In case of revalued assets such reversal is not recognised.

5.9. **Non-Banking Assets**

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

5.10. **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)

5.11 **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 Consolidated Profit and Loss Account as per the lease terms.

5.12 **Retirement and other employee benefits**

The Bank

a) Provident Fund

The contribution made by the bank to The Federal Bank Employees Provident Fund, administered by the trustees is charged to Consolidated Profit and Loss account.

b) Pension Fund

The contribution towards The Federal Bank Employees' Pension Fund, managed by trustees, is determined on actuarial basis on projected unit credit method as on the Balance Sheet date and is recognised in the accounts.

Employees who had joined the services of the Bank with effect from April 01, 2010 are covered under Defined Contributory Pension Scheme (DCPS). In respect of such employees the bank contributes 10% of the Basic Pay plus Dearness Allowance and the expenditure thereof is charged to the Consolidated Profit and Loss account.

c) Gratuity

The bank makes annual contribution to The Federal Bank Employees' Gratuity Trust Fund administered and managed by the Trustees. The cost of providing such benefits is determined using the Projected Unit Credit method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognised in the Consolidated Profit and Loss Account in the period in which they occur. The retirement benefit obligation recognised in the Balance Sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the schemes.

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

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

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

e) Other employee Benefits

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

The Subsidiary

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

b) The net present value of the obligation for gratuity benefits, which is a defined benefit plan, as determined on independent actuarial valuation, conducted annually using projected unit credit method, as adjusted for unrecognized past services cost, if any, is recognised in the accounts. Actuarial gains and losses are recognised in full in the Profit and Loss Account for the period in which they occur.

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

5.13 **Debit card reward points**

The Bank runs a loyalty program which seeks to recognise and reward customers based on their relationship with the Bank. Under the program, eligible customers are granted loyalty points redeemable in future, subject to certain conditions. The Bank estimates the probable redemption of such loyalty/reward points using an actuarial method at the Balance Sheet date by employing independent actuary. Provision for said reward points is then made based on the actuarial valuation report as furnished by the said independent Actuary.

5.14 **Employee Stock Option Scheme**

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

5.15 **Taxation**

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

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

Minimum Alternate Tax (MAT) paid in accordance with the tax laws, which gives future economic benefits in the form of adjustment to future income tax liability, is considered as an asset if there is convincing evidence that the Group will pay normal income tax. Accordingly, MAT is recognised as an asset in the Consolidated Balance Sheet when it is highly probable that future economic benefit associated with it will flow to the Group.

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

The Group Offsets Deferred Tax Assets and Deferred Tax Liabilities, and advance Income tax and provision for tax, if it has a legally enforceable right and these relate to taxes in income levied by the same governing taxation laws.

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

5.16 Earnings per Share

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

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

5.17 Share issue expenses

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

5.18 Segment information

The disclosure relating to segment information is in accordance with the guidelines issued by RBI.

5.19 **Provisions, contingent liabilities and contingent assets**

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

A disclosure of contingent liability is made when there is:

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

- a present obligation arising from a past event which is not recognised as it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.

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

5.20 **Corporate Social Responsibility**

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

5.21 **CENVAT Credit**

Service tax input credit is accounted for in the books within the time limit prescribed under CENVAT Credit Rules, 2004, as amended.

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

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

SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2017

Amounts in Notes forming part of the Consolidated Financial Statements for the year ended 31 March, 2017 are denominated in Rupees Crore to conform to extant RBI guidelines

1.1 Share Capital:

A. **Issue of Bonus Shares**

During the year ended March 31, 2016 the Bank had issued Bonus Shares in the Ratio of 1:1 for Shares held as on the record date of July 9, 2015. Pursuant to the above 85,79,45,206 fully paid up Equity Shares had been allotted by the bank as bonus shares and One Global Depositary share (GDS) had been issued as bonus for every GDS held to the existing holders as on the record date. Consequently, as per the extant ESOS 2010 Scheme bonus options had been provided to the existing ESOS option holders and the exercise price had been adjusted accordingly. The earnings per share have been adjusted for previous year in accordance with Accounting Standard 20, Earnings per share.

B. Subscribed and paid-up capital includes:

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

(ii) 3,12,05,861 underlying equity shares of ₹ 2/- each (Previous Year 2,80,49,968 equity shares of ₹ 2/- each) held by custodian on behalf of holders of Global Depository Receipts (GDRs)

(iii) 50,98,570 ESOS shares of ₹ 2/- per share (Previous year 57,61,133 shares of ₹ 2/- Per share) allotted under ESOS 2010.

(iv) 85,79,45,206 bonus shares were issued in the ratio of 1:1 during Financial year 2015-16.

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

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

ii) 2,62,100 shares of ₹ 2/- each (Previous year 2,62,100 shares of ₹ 2/- per share) pertaining to the Rights issue of 1996 issued at a premium of ₹ 28/- per Share

iii) 10,80,415 equity shares of ₹ 2/- each (Previous year 10,80,415 shares of ₹ 2/- per share), at a premium of ₹ 48/- per share pertaining to Rights issue of 2007

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

a) 4,09,170 shares of ₹ 2/- each (Previous year 4,09,170 shares of ₹ 2/- each) out of the Bonus issue of 2004 and
b) 6,15,755 bonus shares of ₹ 2/- each (Previous year 6,15,755 bonus shares of ₹ 2/- each), out of the Bonus issue of 2015.

D. Employee Stock Option Scheme ("ESOS")

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

Number of Options

	31 March, 2017	**31 March, 2016**
Outstanding at the beginning of the year	7,61,87,146	8,11,24,186
Surrendered during the year	-	-
Granted during the year*	9,65,000	10,25,000
Exercised during the year	50,98,570	56,36,450
Forfeited/lapsed during the year	2,50,590	3,25,590
Outstanding at the end of the year	7,18,02,986	7,61,87,146
Options exercisable	4,76,17,696	5,27,27,176

* ESOS granted on 29th August 2016, 25th October 2016, 03rd November 2016 and 03rd November 2016 with vesting period of 1,2,3 and 4 years. Exercise period of 5 years and exercise price of ₹ 66.55 per share, ₹ 75.00 per share, ₹ 72.45 per share and ₹ 79.45 per share, respectively.

As per SEBI guidelines the accounting for ESOS can be done either under the 'Intrinsic value basis' or 'Fair value basis'. The Compensation Committee in their meeting dated 10th May, 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 24 December, 2010

The exercise price of the options granted is the same as the market price on the date prior to grant date and hence there is no intrinsic value for the options, which has to be amortized over the vesting period, other than 3,00,000 options granted during the year at an exercise price lower than the Market price.

If "Fair Value Method" had been adopted based on "Black-Scholes pricing model" for pricing and accounting of options, net profit would be lower by ₹ 9.12 Crore (Previous Year: ₹ 19.83 Crore)

The modified basic and diluted earnings per share for the year, had the Bank followed Fair Value Method of accounting for ESOS compensation cost, would be ₹ 5.00 and ₹ 4.93 (Previous Year: ₹ 2.72 and ₹ 2.69) respectively.

(ii) Dividend paid on shares issued on exercise of stock options

The Bank may allot shares between the Balance Sheet date and record date for the declaration of dividend pursuant to the exercise of any employee stock options. These shares will eligible for full dividend for the year ended 31 March 2017, if approved at the ensuing Annual General Meeting. Dividend relating to these shares has not been recorded in the current year.

(iii) Dividend (Including tax / cess thereon) appropriation of ₹ 0.02 Crore represent dividend for Financial Year 2015-16 on the shares issued under Employee Stock Options Scheme before the record date, as per shareholders' approval.

E. Proposed Dividend and Tax on Proposed Dividend

In terms of revised Accounting Standard (AS) 4 "Contingencies and Events occuring after the Balance sheet date" as notified by the Ministry of Corporate affairs through amendments to Companies (Accounting Standards) Amendment Rules, 2016, the Bank has not appropriated proposed dividend (including tax) aggregating to ₹ 186.75 Crore from the statement of Profit and loss account for the year ended March 31, 2017, also the same has not been shown as an Other Liabilities.

1.2 **Employee Benefits (AS 15)**

a) **Defined Contribution Plan**

The Bank

Provident Fund

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

New Pension Scheme

As per the industry level settlement dated 27th April, 2010, employees who joined the services of the Bank on or after 1st April, 2010 are not eligible for the existing pension scheme whereas they will be eligible for Defined Contributory Pension Scheme (DCPS) in line with the New Pension Scheme introduced for employees of Central Government. Employee shall contribute 10% of their Basic Pay and Dearness Allowance towards DCPS and the Bank will also make a matching contribution. There is no separate Provident Fund for employees joining on or after 01/04/2010.

The Subsidiary

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

The Group Makes Provident Fund, Employee State Insurance Scheme Contributions and Defined Contributory Pension Scheme for Qualifying Employees. Under the schemes, the Group is required to contribute a specified percentage of the payroll costs to fund the benefits. The Group recognised ₹ 1.58 Crore (Previous year: ₹ 1.73 Crore) for provident fund contributions, ₹ 0.14 Crore (Previous Year ₹ 0.14 Crore) for Employee State Insurance Scheme Contributions and ₹ 21.64 Crore (Previous year: ₹ 18.95 Crore) for DCPS in the consolidated Profit and Loss Account. The Contributions payable to these plans by the group are at the rates specified in the Rules of the Schemes.

b) Defined benefit plan

The Group offers the following employee benefit schemes to its employees:

i. Gratuity
ii. Superannuation/Pension

Gratuity

The Bank

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

The Subsidiary

The net present value of the obligation for gratuity benefits, which is a defined benefit plan, as determined on independent actuarial valuation, conducted annually using projected unit credit method, as adjusted for unrecognized past services cost, if any, is recognised in the accounts. Actuarial gains and losses are recognised in full in the Consolidated Profit and Loss Account for the period in which they occur.

Superannuation / Pension

The Bank

The Bank provides for monthly pension, a defined benefit retirement plan (the "pension plan") covering eligible employees. The pension plan provides a monthly pension after retirement of the employees till death and to the family after the death of the pensioner. The monthly pension is based on the respective employees' salary and the tenure of employment. Vesting occurs upon completion of ten years of service. The Bank pays the monthly pension by purchasing annuities from Life Insurance Corporation of India (LIC). 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 (the "Trust"). Trustees administer contributions made to the Trust and contributions are invested in specific investments as permitted by law.

The following table as furnished by Actuary sets out the funded status of gratuity / pension plan and the amount recognized in the Group's financial statements as at March 31, 2017.

i) Change in benefit obligations (₹ in Crore)

Particulars	Gratuity Plan				Pension Plan	
	FBL		FFSL		FBL	
	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16
Projected benefit obligation, beginning of the year	246.09	209.34	0.19	0.08	637.50	587.48
Service Cost	15.66	13.82	0.26	0.18	79.26	57.70
Interest cost	17.14	15.29	0.01	*	41.42	40.17
Actuarial (gain)/ loss	16.64	44.07	0.06	(0.06)	149.62	122.99
Benefits paid	(35.05)	(36.43)	(0.06)	(0.01)	(170.42)	(170.84)
Projected benefit obligation, end of the year	**260.48**	**246.09**	**0.46**	**0.19**	**737.38**	**637.50**

Asterisk denote figure below ₹ 1 Lakh

ii) Change in plan assets (₹ in Crore)

Particulars	Gratuity Plan				Pension Plan	
	FBL		FFSL		FBL	
	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16
Plan assets at beginning of the year at fair value	225.66	223.52	-	-	578.27	544.40
Expected return on plan assets	19.84	18.55	-	-	48.57	47.58
Actuarial gain/(loss)	0.69	(0.65)	-	-	4.69	(0.58)
Employer's Contributions	50.40	20.67	-	-	285.22	157.71
Benefits paid	(35.05)	(36.43)	-	-	(170.42)	(170.84)
Plan assets at end of the year, at fair value	**261.54**	**225.66**	-	**-**	**746.33**	**578.27**

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

Particulars	Gratuity Plan				Pension Plan	
	FBL		FFSL		FBL	
	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16
Fair value of plan assets at the end of the year	261.54	225.66	-	-	746.33	578.27
Present value of the defined benefit obligations at the end of the year	260.48	246.09	0.46	0.19	737.38	637.50
Liability/ (Asset) recognized in the Consolidated Balance Sheet	**(1.06)**	**20.43**	**0.46**	**0.19**	**(8.95)**	**59.23**

iv) Gratuity / pension cost for the year ended 31 March, 2017

(₹ in Crore)

Particulars	Gratuity Plan				Pension Plan	
	FBL		FFSL		FBL	
	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16
Service cost	15.66	13.82	0.26	0.18	79.26	57.70
Interest cost	17.14	15.29	0.01	*	41.42	40.17
Expected return on plan assets	(19.84)	(18.55)	-	-	(48.57)	(47.58)
Actuarial (gain)/loss	15.95	44.72	0.06	(0.06)	144.93	123.57
Employee Cost	28.92	55.28	0.33	0.12	217.04	173.86
Amortisation Cost	-	-	-	-	-	-
Net Cost Debit to Consolidated Profit and Loss Account	28.92	55.28	0.33	0.12	217.04	173.86
Actual return on plan assets	**20.52**	**17.90**	**-**	**-**	**53.26**	**47.00**

Asterisk denote figure below ₹ 1 Lakh

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

Particulars	Gratuity Plan				Pension Plan	
	FBL		FFSL		FBL	
	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16
Central and state Government bonds	-	7.13	NA	NA	-	17.82
Other debt securities	5.35	16.35	NA	NA	48.23	66.04
Balance in Saving bank account with the Bank	4.58	0.66	NA	NA	42.84	3.21
Net current assets	0.11	0.82	NA	NA	1.62	3.18
Balance with LIC #	251.50	200.70	NA	NA	653.64	488.02
Total	**261.54**	**225.66**	**NA**	**NA**	**746.33**	**578.27**

NA – Not Applicable.

\# - In the absence of detailed information regarding plan assets which is funded with Life Insurance Corporation of India, 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

a) FBL (₹ in Crore)

Particulars	31 March 2017	31 March 2016	31 March 2015	31 March 2014	31 March 2013	31 March 2012
Defined Benefit Obligations	260.48	246.09	209.34	201.26	240.13	225.25
Plan Assets	261.54	225.66	223.52	230.83	221.67	198.87
Surplus/[Deficit]	1.06	(20.43)	14.18	29.57	(18.46)	(26.38)
Experience adjustments on Plan Liabilities [Gain/(Loss)]	2.18	(46.00)	(6.31)	(5.74)	17.02	0.03
Experience Adjustments on Plan Assets [Gain/ (Loss)]	(0.42)	(1.97)	1.19	1.76	22.33	0.64

b) FFSL (₹ in Crore)

Particulars	31 March 2017	31 March 2016	31 March 2015	31 March 2014	31 March 2013	31 March 2012
Defined Benefit obligations	0.46	0.19	0.08	0.15	0.08	0.04
Plan Assets	Nil	Nil	Nil	Nil	Nil	Nil
Surplus/[Deficit]	(0.46)	(0.19)	(0.08)	(0.15)	(0.08)	(0.04)
Experience adjustments on Plan Liabilities [Gain/(Loss)]	0.03	0.10	(0.03)	(0.02)	0.04	(0.02)
Experience adjustments on Plan Assets [Gain/(Loss)]	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable

ii) Pension Plan

FBL

(₹ in Crore)

Particulars	31 March 2017	31 March 2016	31 March 2015	31 March 2014	31 March 2013	31 March 2012
Defined Benefit Obligations	737.38	637.50	587.48	531.78	584.12	598.76
Plan Assets	746.33	578.27	544.40	416.25	444.17	422.62
Surplus/[Deficit]	8.95	(59.23)	(43.08)	(115.53)	(139.95)	(176.14)
Experience adjustments on Plan Liabilities [Gain/(Loss)]	93.67	(142.49)	(79.75)	(8.18)	(1.22)	450.11
Experience adjustments on Plan Assets [Gain/(Loss)]	6.66	0.18	2.19	3.03	1.38	0.96

vii) Assumptions

Particulars	Gratuity Plan				Pension Plan	
	FBL		FFSL		FBL	
	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16
Discount rate	7.50%	8.00%	6.69%	7.83%	7.50%	8.00%
Annuity rate per Rupee	-	-	-	-	131.72338	126.18297
Salary escalation rate	5.00%	5.00%	8.50%	7.75%	5.00%	5.00%
Estimated rate of return on plan assets	8.79%	8.30%	-	-	8.40%	8.74%
Attrition Rate	3.00%	3.00%	Not Available	Not Available	3.00%	3.00%
Mortality Table	IALM 2006-08 Ultimate	IALM 2006-08 Ultimate	IALM 2006-08 Ultimate	IALM 2006-08 Ultimate	IALM 2006-08 Ultimate	IALM 2006-08 Ultimate

The estimates of future salary increases 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.

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

The Bank

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

A sum of ₹ 24.64 Crore (Previous year: ₹ 2.72 Crore) has been provided towards the above liabilities in accordance with AS 15 based on actuarial valuation.

The Subsidiary

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

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

(₹ in Crore)

	As at 31 March, 2017		As at 31 March, 2016	
	FBL	**FFSL**	**FBL**	**FFSL**
Privilege leave	152.13	0.28	131.15	0.19
Sick leave	25.05	-	20.97	-
Leave Travel Concession	12.29	-	13.18	-
Casual Leave	1.56	-	1.09	-
Total actuarial liability	**191.03**	**0.28**	**166.39**	**0.19**
Assumptions				
Discount rate	7.50%	6.69%	8.00%	7.83%
Salary escalation rate	5.00%	8.50%	5.00%	7.75%
Attrition Rate	3.00%	Not Available	3.00%	Not Available

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

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

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

1.3 **Segment Reporting (AS 17)**

A. Business Segments

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

Treasury

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

The income of this segment primarily consists of earnings from the investment portfolio of the bank, gains and losses on trading operations. The principal expense of the segment consists of interest expense on funds borrowed/utilized and other allocated overheads.

Corporate/Wholesale Banking:

This segment provides loans and other banking services to Corporate and other clients where value of individual exposure to the Clients exceeds ₹ 5 Crore as defined by RBI. Revenue of this segment consists of interest and fees earned on loans to such customers and charges and fees earned from other banking services. Expenses of this segment primarily consist of interest expense on funds utilized and allocated overheads

Retail banking:

Retail banking constitutes lending and other banking services to individuals/small business customers, other than corporate/wholesale banking customers, identified on the basis of RBI guidelines.

Revenue of this segment consists of interest earned on loans made to such customers and charges /fees carried from other banking services to them. The principal expenses of the segment consist of interest expenses on funds borrowed and other expenses.

Other Banking Operations

This segment includes parabanking activities like third party product distribution and other banking transactions, not covered under any of the above segments. The income from such services and associated costs are disclosed in this segment.

The operations of Subsidiary has been classified under 'Retail Banking'.

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

As on 31 March 2017

(₹ in Crore)

Business Segments	Treasury	Corporate/ Whole sale Banking	Retail Banking	Other Banking Operations	Total
Revenue	2,496.34	3,006.71	4,211.34	152.65	9,867.04
Result (Net of provisions)	395.14	196.41	723.46	56.03	1,371.04
Unallocated expense					(29.07)
Operating profit (PBT)					1,341.97
Income taxes					(488.66)
Share of Profit of associate					13.55
Extraordinary profit/loss					-
Net Profit					866.86
OTHER INFORMATION					
Segment Assets	38,968.80	31,384.61	42,957.50	18.54	1,13,329.45
Unallocated assets					2,156.28
Total assets					1,15,485.73
Segment liabilities	36,188.65	29,501.51	40,426.07	-	1,06,116.23
Unallocated liabilities					418.14
Total liabilities					1,06,534.37

As on 31 March 2016:

(₹ in Crore)

Business Segments	Treasury	Corporate/ Whole sale Banking	Retail Banking	Other Banking Operations	Total
Revenue	2,281.93	2,360.94	3,887.92	103.84	8,634.63
Result (Net of provisions)	158.51	18.14	513.45	73.85	763.95
Unallocated expense					(25.44)
Operating profit (PBT)					738.51
Income taxes					(250.61)
Share of Profit of associate					(1.48)

Extraordinary profit/loss					-
Net Profit					486.42
OTHER INFORMATION					
Segment Assets	33,510.29	24,836.67	33,880.24	26.56	92,253.76
Unallocated assets					2451.96
Total assets					94,705.72
Segment liabilities	30,886.09	23,376.84	31,939.63	-	86,202.56
Unallocated liabilities					439.04
Total liabilities					86,641.60

Geographical Segment Information

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

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

1.4 **Related Party Disclosures (AS 18)**

a) Details of Related Parties:

Name of the Party	Nature of Relationship
IDBI Federal Life Insurance Company Limited	Associate
Sri. Shyam Srinivasan, Managing Director & CEO	Key Management Personnel
Sri. Ashutosh Khajuria, Executive Director & CFO	Key Management Personnel
Sri Ganesh Sankaran , Executive Director (From 04-07-2016)	Key Management Personnel
FedBank Hormis Memorial Foundation	Entity in which KMPs can exercise significant influence

b) Significant transactions with related parties:

(₹ in Crore)

Particulars	Key Management Personnel #	
	31 March 2017	31 March 2016
Remuneration		
Sri. Shyam Srinivasan	1.14	1.12
Sri. Ashutosh Khajuria	0.81	1.02
Sri.Abraham Chacko (Upto 30-04-2015)	-	0.72
Sri Ganesh Sankaran , Executive Director (From 04-07-2016)	0.84	-
Dividend Paid	0.02	0.02

The normal transactions of the Bank with the above persons as constituents are not reckoned for the purpose of disclosure.

No stock options were granted to MD &CEO, Executive Director & CFO Sri. Ashutosh Khajuria after becoming Executive Director during FY 2016-17.

Sri. Ganesh Sankaran, Executive Director was granted 3,00,000 options during FY 2016-17. (Previous Year: Nil)

Note: In accordance with RBI guidelines, details pertaining to the related party transactions, other than transaction with KMPs, have not been provided as there is only one related party in each of the above categories.

1.5 Operating Lease (AS 19):

The Bank

Lease payments for assets taken on operating lease are recognised as an expense in the Profit and Loss Account as per the lease terms. During the year an amount of ₹ 131.49 Crore (Previous year: ₹ 127.58 Crore) was charged to Profit and loss account.

The Subsidiary

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

(₹ in Crore)

Particulars	31 March 2017	31 March 2016
Future minimum lease payments:		
- Up to one year	1.20	-
- More than one year and upto five years	3.67	-
- More than five years	-	-
Lease payments recognised in the Statement of Profit and Loss with respect to above mentioned operating lease arrangement	1.26	-

In addition, all other operating lease agreements entered into by the Company are cancellable in nature. Accordingly, the lease rental payments for assets taken on an operating lease ₹ 3.81 Crore (Previous Year ₹ 5.07) have been recognised as "Rent Paid" in the Statement of Profit and Loss.

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

Particulars	31 March 2017	31 March 2016
Weighted average number of equity shares used in computation of basic earnings per share (in 000's)	17,20,708	17,16,993
Weighted average number of equity shares used in computation of diluted earnings per share (in 000's)	17,46,587	17,25,591
Nominal Value of share (in ₹)	2	2
Basic earnings per share (in ₹)	5.04	2.83
Diluted earnings per share (in ₹)	4.96	2.82

Earnings used in the computation of basic and diluted earnings per share (₹ in '000)	86,68,674	48,64,184

1.7 **Deferred Tax Assets / Liability (AS 22)**

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

(₹ in Crore)

Particulars	31st March 2017	31st March 2016
Deferred Tax Liability		
Tax effect of items constituting deferred tax liability:		
(i) Interest accrued but not due	-	145.66
(ii) Depreciation on Investments	101.80	19.52
(iii) Depreciation on Fixed assets	12.66	-
(iv) Special Reserve under Section 36 (1) (viii) of the Income Tax Act, 1961	107.28	91.35
(v) Others	10.23	
Total - (A)	**231.97**	**256.53**
Deferred Tax Asset		
Tax effect of items constituting deferred tax assets:		
(i) Interest/premium paid on purchase of securities	92.70	90.27
(ii) Provision for Standard Assets	136.68	109.45
(iii) Depreciation on Fixed Assets	2.40	3.50
(iv) Others	88.97	111.45
Total - (B)	**320.75**	**314.67**
Net Deferred tax liability/ (Asset) (A-B)	**(88.78)**	**(58.14)**

Note: The above Net Deferred tax is after adjustment of ₹ 172.85 Crore from provisions for Income tax to Deferred tax on review and reassessment of deferred tax assets and liabilities during the year.

1.8 **'Provisions and Contingencies' recognised in the Consolidated Profit and Loss Account include:**

(₹ in Crore)

	For the year ended	31-Mar-17	31-Mar-16
i)	Provision towards NPAs	405.16	555.63*
ii)	Provision for depreciation Investments (Net)	24.21	16.74
iii)	Provision for Non Performing Investments	5.35	63.42
iv)	Provision for Standard Assets	80.03	30.23
v)	Provision for Taxation	488.66#	250.61
vi)	Provision towards present value of sacrifice on restructuring, other contingencies etc.	105.24	39.15
	Total	**1108.65**	**955.78**

* Net of Floating Provision of ₹ 69.00 Crore withdrawn during the year vide Circular DBR.No.BP.BC.79/21.04.048/2014-15 dated March 30, 2015 issued by the Reserve Bank of India.

\# ₹ 17.98 Crore relating to earlier years.

1.9 Amount of Provisions made for income-tax during the year

(₹ in Crore)

Particulars	2016-17	2015-16
Provision for Income Tax		
a) Current Tax	692.15	346.24
b) Deferred Tax	(203.49)	(95.63)

1.10 Draw Down from Reserves

The Bank has drawn down ₹ 14.49 Crore from Investment Reserve Account (Previous Year ₹ 8.21 crore) in accordance with the provisions of RBI guidelines on 'Prudential Norms for Classification, Valuation and Operation of Investment Portfolio by Banks'.

1.11 Details of Penalty imposed by RBI

(₹ in Lakhs)

Particulars	2016-17	2015-16
Penalty imposed on currency chests	0.11	0.16
Penalty imposed for alleged failure in detecting and reporting attempted suspicious transactions related to Cobra post sting operation*	2.00	Nil

* Bank had filed appeal against the order before the Honorable Appellate Tribunal at New Delhi. Despite pendency of the appeal Recovery officer, FIU-IND has demanded the payment of the penalty amount. Hence the amount of Rs 2 lakhs paid on 10.08.16, subject to orders of Appellate Tribunal.

Note: Penalty was imposed by RBI

(a) As per the RBI Circular DCM(FNVD) No.776/16.01.15/2015-16 dated August 26, 2015 and

(b) Fake Indian Currency Note (FICN) detected in the soiled note remittance.

1.12 Fixed Assets

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

(₹ in Crore)

Particulars	31 March 2017	31 March 2016
Gross Block		
At the beginning of the year	146.94	97.46
Additions during the year	33.58	49.48
Deductions / Adjustments during the year	2.48	-
Closing Balance	**178.04**	**146.94**
Depreciation / Amortisation		

At the beginning of the year	97.14	74.78
Charge for the year	27.86	22.36
Deductions during the year	0.96	-
Depreciation to date	**124.04**	**97.14**
Net Block	**54.00**	**49.80**

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 valuers was credited to Revaluation Reserve. There has been no revaluation of assets during this year.

1.13 **Provisions and Contingencies**

a) **Movement in provision for frauds included under other liabilities:**

(₹ in Crore)

	31 March, 2017	31 March, 2016
Balance at the beginning of the year	5.82	6.64
Additions during the year	0.72	0.42
Reductions on account of payments during the year	-	-
Reductions on account of reversals during the year	2.49	1.24
Balance at the end of the year	**4.05**	**5.82**

b) **Movement in provision for debit card reward points:**

(₹ in Crore)

	31 March, 2017	31 March, 2016
Balance at the beginning of the year	1.92	2.25
Provision made during the year	4.02	0.77
Reductions during the year	1.86	1.10
Balance at the end of the year *	**4.08**	**1.92**

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

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

(₹ in Crore)

	31 March, 2017	31 March, 2016
Balance at the beginning of the year	40.03	145.54
Provision made during the year	25.24	29.23
Reductions during the year	5.21	134.74
Balance at the end of the year	**60.06**	**40.03**

d) **Movement in floating provision:**

(₹ in Crore)

Particulars	**Standard Assets Provisions**		**NPA Provision**	
	2016-17	**2015-16**	**2016-17**	**2015-16**
Opening balance	12.75	12.75	69.18	138.18
Provision made during the year	-	-	-	-
Draw down from provision *	-	-	-	69.00
Closing balance	**12.75**	**12.75**	**69.18**	**69.18**

* Floating provision has been utilised in accordance with RBI circulars DBOD.No.BP.95/21.04.048/2013-14 dated February 7, 2014 and DBR.No.BP.BC.79/21.04.048/2014-15 dated March 30, 2015.

1.14 **Loss on Sale of Non-Performing Assets**

During the year ended March 31, 2016, the Bank had assigned certain Non-performing financial assets to Asset Reconstruction Companies. In terms of RBI Master Circular DBR.No.BP.BC.2/21.04.048/2015-16 on Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances dated July 1, 2015, the shortfall arrived at by deducting sale consideration from the Net Book value of the financial assets, amounting to ₹ 122.14 Crore is amortised over a period of two years. Accordingly, the bank has charged to the profit and loss account an amount of ₹ 86.73 Crores for the year ended March 31, 2017 (Previous Year ₹ 35.41 Crores) and there is no unamortised balance carried forward as on March 31, 2017.

1.15 **Description of contingent liabilities:**

a) Claims against the Group not acknowledged as debts

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

b) Liability on account of forward exchange and derivative contracts

The Bank enters into Forward exchange contracts on its own account and on behalf of its customers. Forward exchange contracts are commitments to buy or sell foreign currency at a future date at the contracted rate.

c) Guarantees given on behalf of constituents

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

d) Acceptances, endorsements and other obligations

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

e) Other items for which bank is contingently liable

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

Refer schedule 12 for amounts relating to contingent liability

1.16 **Provision for Long Term contracts**

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

1.17 **Small and Micro Industries**

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

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

31st March, 2017

Name of the entity	Net Assets i.e. total assets minus total liabilities		Share of profit or loss	
	As % of Consolidated Net Assets	Amount (₹ in Crore)	As % of Consolidated Profit or Loss	Amount (₹ in Crore)
Parent: The Federal Bank Limited	99.90%	8,942.38	95.84%	830.79
Subsidiary: Fedbank Financial Services Limited	0.45%	40.46	2.60%	22.53
Associate: IDBI Federal Life Insurance Company Limited	(0.35)%	(31.48)	1.56%	13.55
Total	**100.00%**	**8951.36**	**100.00%**	**866.87**

31st March, 2016

Name of the entity	Net Assets i.e. total assets minus total liabilities		Share of profit or loss	
	As % of Consolidated Net Assets	Amount (₹ in Crore)	As % of Consolidated Profit or Loss	Amount (₹ in Crore)
Parent: The Federal Bank Limited	100.34%	8091.22	97.79%	475.65
Subsidiary: Fedbank Financial Services Limited	0.22%	17.93	2.52%	12.25
Associate: IDBI Federal Life Insurance Company Limited	(0.56%)	(45.03)	(0.31%)	(1.48)
Total	**100%**	**8064.12**	**100%**	**486.42**

1.19. **Additional disclosure**

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

1.20 **Disclosure on Specified Bank Notes:**

The Bank believes that the MCA notification G.S.R. 308(E) dated March 30, 2017 regarding holdings as well as dealings in Specified Bank Notes during the period from 8th November, 2016 to 30th December, 2016 is not applicable to banking companies.

1.21 The figures for the year ended March 31, 2016 were audited by previous statutory auditors.

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

For and on behalf of the Board of Directors

Krishnakumar K Deputy General Manager	Girish Kumar Ganapathy Company Secretary	Ashutosh Khajuria Executive Director & CFO	Ganesh Sankaran Executive Director

K M Chandrasekhar
Chairman

Shyam Srinivasan
Managing Director & CEO

Directors:

Nilesh S Vikamsey

Dilip G Sadarangani

Harish H Engineer

Grace Elizabeth Koshie

Shubhalakshmi Panse

C Balagopal

Place: Kochi

Date: 28th April, 2017

Deloitte Haskins & Sells
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Wilmont Park Business Centre
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Tel: +91 484 2353694
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M P Chitale & Co.
Chartered Accountants
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INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF THE FEDERAL BANK LIMITED

Report on the Standalone Financial Statements

1. We have audited the accompanying standalone financial statements of **THE FEDERAL BANK LIMITED** ("the Bank"), which comprise the Balance Sheet as at 31st March, 2016, the Profit and Loss Account, the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information in which are incorporated the returns of 57 branches / offices of the Bank audited by us and 1221 branches / offices audited by the Branch Auditors.

Management's Responsibility for the Standalone Financial Statements

2. The Bank's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("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 provisions of Section 29 of the Banking Regulation Act, 1949, accounting principles generally accepted in India, including the Accounting Standards prescribed under section 133 of the Act, in so far as they apply to banks and guidelines and directives issued by the Reserve Bank of India from time to time. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding 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 financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these standalone financial statements based on our audit.

4. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

5. We conducted our audit of the standalone financial statements of the Bank in accordance with the Standards on Auditing ('the Standards') specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

6. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Bank's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Bank's Directors, as well as evaluating the overall presentation of the financial statements.

7. 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.

Opinion

8. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Banking Regulation Act, 1949 as well as the relevant requirements of the Act, in the manner so required for Banking Companies and give a true and fair view in conformity with the accounting principles generally accepted in India, in so far as they apply to banks and guidelines and directives issued by the Reserve Bank of India from time to time, of the state of affairs of the Bank as at 31st March, 2016, and its profit and its cash flows for the year ended on that date.

Emphasis of Matter

9. Attention is drawn to note no.1.6.10 of schedule 18 about amortising the shortfall arising from the sale of certain non-performing assets during the year ended 31st March, 2016 over a period of 2 years, in terms of RBI Master Circular DBR. No. BP. BC. 2/21. 04. 048/2015-16 on Prudential Norms on Income Recognition, Asset Classification and Provisioning pertaining to advances, dated July 1, 2015 and the balance outstanding of such shortfall as at 31st March, 2016 of Rs.86.73 Crore.

   Our Opinion is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements

10. As required by Section 143 (3) of the Act and sub-section (3) of Section 30 of the Banking Regulation Act, 1949, 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 purposes 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;

c) 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;

d) The reports on the accounts of the 1221 branches / offices audited by branch auditors of the Bank appointed under section 143(8) of the Companies Act, 2013 have been forwarded to us and have been properly dealt with by us in preparing this report;

e) The Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;

f) In our opinion, the aforesaid financial statements comply with the Accounting Standards prescribed under section 133 of the Act, as applicable;

g) On the basis of the written representations received from the directors as on 31st March, 2016 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2016 from being appointed as a director in terms of Section 164 (2) of the Act;

h) With respect to the adequacy of the internal financial controls over financial reporting of the Bank and the operating effectiveness of such controls, refer to our report in “Annexure A”. Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Bank’s internal financial controls over financial reporting;

i) With respect to the other matters to be included in the Auditor’s Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, 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 financial statements– Refer Schedule 12 and Note No. 2.9 of 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 No. 2.10 of Schedule 18 to the standalone financial statements;
   iii. there has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Bank.

For **DELOITTE HASKINS & SELLS**
Chartered Accountants
(Firm’s Registration No.008072S)

M. Ramachandran
Partner
(Membership No.16399)

For **M P CHITALE & CO.**
Chartered Accountants
(Firm’s Registration No. 101851W)

Sanat Ulhas Chitale
Partner
(Membership No.143700)

KOCHI, 30th April, 2016.

ANNEXURE "A" TO THE INDEPENDENT AUDITORS' REPORT

(Referred to in paragraph 10 (h) under 'Report on Other Legal and Regulatory Requirements' of our report of even date)

Report on the Internal Financial Controls Over Financial Reporting 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 of **THE FEDERAL BANK LIMITED** ("the Bank") as at 31st March, 2016 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

The Bank's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Bank's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013, the Banking Regulation Act, 1949 and the guidelines and directives issued by the Reserve Bank of India.

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") issued by the Institute of Chartered Accountants of India and the Standards on Auditing prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

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

The reports on the adequacy of internal financial controls over financial reporting at the branch offices of the Bank audited by branch auditors of the Bank have been sent to us and have been properly dealt with by us in preparing this report.

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 and other applicable regulations. 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 expenditure of the Bank are being made only in accordance with authorisations of management and directors of the Bank; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised 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, 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, to the best of our information and according to the explanations given to us, the Bank has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31st March, 2016, 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.

For **DELOITTE HASKINS & SELLS**
Chartered Accountants
(Firm's Registration No.008072S)

M. Ramachandran
Partner
(Membership No.16399)

For **M P CHITALE & CO.**
Chartered Accountants
(Firm's Registration No. 101851W)

Sanat Ulhas Chitale
Partner
(Membership No.143700)

KOCHI, 30th April, 2016.

THE FEDERAL BANK LIMITED
BALANCE SHEET AS AT 31st MARCH 2016

(₹ in Thousands)

	Sch No.	As at 31 March 2016	As at 31 March 2015
CAPITAL AND LIABILITIES			
Capital	1	34,37,890	17,13,306
Reserves and Surplus	2	774,74,281	756,68,045
Deposits	3	7917,17,068	7082,49,928
Borrowings	4	217,65,666	230,82,411
Other Liabilities and Provisions	5	199,05,395	197,91,113
Total		**9143,00,300**	**8285,04,803**
ASSETS			
Cash and Balances with Reserve Bank of India	6	377,45,391	337,95,429
Balances with banks and money at call and short notice	7	164,52,709	140,04,536
Investments	8	2221,74,942	2056,88,175
Advances	9	5809,01,448	5128,49,914
Fixed assets	10	51,99,751	46,66,314
Other assets	11	518,26,059	575,00,435
Total		**9143,00,300**	**8285,04,803**
Contingent liabilities	12	2025,35,743	1721,48,242
Bills for collection		151,68,300	122,16,604
Significant Accounting Policies	17		
Notes on Accounts	18		
Schedules referred to above form an integral part of the Balance Sheet			

For and on behalf of the Board of Directors

Krishnakumar K
Deputy General Manager

Girish Kumar Ganapathy
Company Secretary

Ashutosh Khajuria
Executive Director & CFO

Shyam Srinivasan
Managing Director & CEO

Nilesh S Vikamsey
Chairman

In terms of our report attached

For **Deloitte Haskins & Sells**
Chartered Accountants

M Ramachandran
Partner

For **M P Chitale & Co.**
Chartered Accountants

Sanat Ulhas Chitale
Partner

Directors:

Sudhir M Joshi

K M Chandrasekhar

Dilip G Sadarangani

Harish H Engineer

Grace Elizabeth Koshie

Shubhalakshmi Panse

C Balagopal

Place: Kochi
Date : 30th April, 2016

THE FEDERAL BANK LIMITED
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2016

(₹ in Thousands)

	Sch No.	Year ended 31 March 2016	Year ended 31 March 2015
I. INCOME			
Interest earned	13	774,46,920	741,94,677
Other income	14	78,63,781	87,83,059
Total		**853,10,701**	**829,77,736**
II. EXPENDITURE			
Interest expended	15	524,04,476	503,90,589
Operating expenses	16	186,68,417	163,09,327
Provisions and contingencies		94,81,327	62,20,315
Total		**805,54,220**	**729,20,231**
III. PROFIT/LOSS			
Net profit for the year		**47,56,481**	**100,57,505**
Profit brought forward from Previous Year		109,23,675	78,73,601
		156,80,156	**179,31,106**
IV. APPROPRIATIONS			
Transfer to Revenue Reserve		4,54,011	10,98,710
Transfer to Statutory Reserve		11,89,120	25,16,648
Transfer to Capital Reserve		63,365	2,87,560
Transfer to/(from) Investment Reserve Account		(82,119)	4,62,770
Transfer to Special Reserve		3,20,000	3,50,000
Dividend (including tax/cess thereon) pertaining to previous year paid during the year		1,511	207
Proposed dividend		12,03,289	18,84,643
Tax on proposed dividend		2,45,274	3,83,700
Transfer to Share capital pursuant to issue of Bonus shares (Note 2.2 of Schedule 18)		17,15,891	-
Depreciation on Expired assets		-	23,193
Balance carried over to Balance Sheet		105,69,814	109,23,675
Total		**156,80,156**	**179,31,106**
Earnings per Share (Face value of ₹ 2/- each) (₹) (Note 2.1 of Schedule 18)			
Basic		2.77	5.87
Diluted		2.75	5.82
Significant Accounting policies	17		
Notes on Accounts	18		
Schedules referred to above form an integral part of the Profit and Loss account			

For and on behalf of the Board of Directors

Krishnakumar K
Deputy General Manager

Girish Kumar Ganapathy
Company Secretary

Ashutosh Khajuria
Executive Director & CFO

Shyam Srinivasan
Managing Director & CEO

Nilesh S Vikamsey
Chairman

In terms of our report attached

For **Deloitte Haskins & Sells**
Chartered Accountants

M Ramachandran
Partner

For **M P Chitale & Co.**
Chartered Accountants

Sanat Ulhas Chitale
Partner

Directors:

Sudhir M Joshi

K M Chandrasekhar

Dilip G Sadarangani

Harish H Engineer

Grace Elizabeth Koshie

Shubhalakshmi Panse

C Balagopal

Place: Kochi
Date : 30th April, 2016

THE FEDERAL BANK LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH, 2016

(₹ in Thousands)

	Year ended 31 March 2016	**Year ended 31 March 2015**
Cash Flow from Operating Activities		
Net Profit before taxes	71,96,481	152,10,405
Adjustments for:		
Depreciation on Bank's Property	10,54,468	7,45,946
Depreciation on Investments	1,67,434	(9,34,725)
Amortisation of Premium on Held to Maturity Investments	3,53,411	3,21,114
Provision for Non Performing Investments	6,34,189	1,28,600
Provision / Charge for Non Performing Assets	55,53,173	20,43,463
Provision on Standard Assets	2,95,000	5,41,000
Withdrawal from floating provision for standard asset	-	(1,27,500)
(Profit)/Loss on sale of fixed assets (net)	3,406	(2,433)
Provision for Restructutred assets	(2,08,598)	(5,52,300)
Provision for Other Contingencies	6,00,129	(31,123)
	156,49,093	**173,42,447**
Adjustments for working capital changes:-		
(Increase)/ Decrease in Investments *(excluding Held to Maturity Investments)*	(441,85,989)	133,67,861
(Increase)/ Decrease in Advances	(736,04,707)	(805,32,339)
(Increase)/ Decrease in Other Assets	32,16,425	(31,51,994)
Increase/ (Decrease) in Deposits	834,67,140	1109,37,111
Increase/ (Decrease) in Other liabilities and provisions	6,42,488	(2,87,659)
Direct taxes paid	(3,77,005)	(60,38,663)
Net Cash Flow from Operating Activites	**(151,92,555)**	**516,36,764**
Cash Flow from Investing Activities		
Purchase of Fixed Assets	(16,02,531)	(12,07,817)
Proceeds from Sale of Fixed Assets	11,220	12,404
(Increase)/ Decrease in Held to Maturity Investments	265,44,187	(124,46,314)
Net Cash Used in Investing Activities	**249,52,876**	**(136,41,727)**
Cash Flow from Financing Activities		
Proceeds from Issue of Share Capital (ESOS)	8,693	2,687
Proceeds from Share Premium	2,15,627	1,07,001
Repayment of Subordibate Debt	-	(3,00,000)
Increase/(Decrease) in Borrowings (Excluding Subordinate Debt)	(13,16,745)	(334,97,172)
Dividend Paid (Including Tax on Dividend)	(22,69,854)	(18,01,378)
Net Cash generated from financing Activities	**(33,62,279)**	**(354,88,862)**
Effect of exchange fluctuation on translation reserve	**93**	**-**
Net Increase in Cash and Cash Equivalents	**63,98,135**	**25,06,175**

(₹ in Thousands)

	Year ended 31 March 2016	Year ended 31 March 2015
Cash and Cash Equivalents at the beginning of year	477,99,965	452,93,790
Cash and Cash Equivalents at the end of year	541,98,100	477,99,965

Note:
Cash and cash equivalents comprise of cash on hand (including foreign currency notes), Balances with Reserve Bank of India, Balance with Banks and money at call and short notice (Refer schedules 6 and 7 of the Balance sheet)

For and on behalf of the Board of Directors

Krishnakumar K
Deputy General Manager

Girish Kumar Ganapathy
Company Secretary

Ashutosh Khajuria
Executive Director & CFO

Shyam Srinivasan
Managing Director & CEO

Nilesh S Vikamsey
Chairman

In terms of our report attached

For **Deloitte Haskins & Sells**
Chartered Accountants

M Ramachandran
Partner

For **M P Chitale & Co.**
Chartered Accountants

Sanat Ulhas Chitale
Partner

Directors:

Sudhir M Joshi

K M Chandrasekhar

Dilip G Sadarangani

Harish H Engineer

Grace Elizabeth Koshie

Shubhalakshmi Panse

C Balagopal

Place: Kochi
Date : 30th April, 2016

THE FEDERAL BANK LIMITED

SCHEDULES FORMING PART OF THE BALANCE SHEET

(₹ in Thousands)

	As at 31 March 2016	As at 31 March 2015
SCHEDULE 1 - CAPITAL		
Authorised Capital 250,00,00,000 (Previous year 250,00,00,000) Equity Shares of ₹ 2/- each	50,00,000	50,00,000
Issued Capital 172,02,95,889 (Previous year 85,80,04,242) Equity Shares of ₹ 2/-each	34,40,592	17,16,008
Subscribed, Called-up and Paid-up Capital 171,89,46,844 (Previous year 85,66,55,197) Equity Shares of ₹2/-each	34,37,894	17,13,310
Less: Calls in arrears	4	4
Total	**34,37,890**	**17,13,306**
Also refer Note 2.2 of Schedule 18		

THE FEDERAL BANK LIMITED

SCHEDULES FORMING PART OF THE BALANCE SHEET

(₹ in Thousands)

	As at 31 March 2016	As at 31 March 2015
SCHEDULE 2 - RESERVES AND SURPLUS		
I. Statutory Reserve		
Opening balance	174,04,124	148,87,476
Additions during the year	11,89,120	25,16,648
	185,93,244	**174,04,124**
II. Capital Reserves		
(a) Revaluation Reserve		
Opening balance	50,091	50,091
Deductions during the year	-	-
	50,091	**50,091**
(b) Others		
Opening balance	23,52,773	20,65,213
Additions during the year*	63,365	2,87,560
	24,16,138	**23,52,773**
	24,66,229	**24,02,864**
III. Share premium		
Opening balance	248,68,958	247,61,957
Additions during the year#	2,15,627	1,07,001
	250,84,585	**248,68,958**
IV. Revenue and Other Reserves		
a) Revenue Reserve		
Opening Balance	145,17,551	134,18,841
Additions during the year	4,54,011	10,98,710
Deductions during the year	-	-
	149,71,562	**145,17,551**
b) Investment Fluctuation Reserve		
Opening Balance	18,97,200	18,97,200
	18,97,200	**18,97,200**
c) Special Reserve (As per section 36(1)(viii) of Income Tax Act)		
Opening balance	28,89,900	25,39,900
Addition during the year	3,20,000	3,50,000
	32,09,900	**28,89,900**
V. Investment Reserve Account		
Opening Balance	4,62,770	-
Additions during the year	-	4,62,770
Deductions during the year (Refer Note 1.4.2(d) of Schedule 18)	82,119	-
	3,80,651	**4,62,770**
VI. Foreign Currency Translation Reserve		
Opening Balance		-
Additions during the year [Refer Schedule 17 (4.4)]	93	-
	93	**-**
VII. Contingency Reserve		
Opening balance	3,01,003	3,01,003
	3,01,003	**3,01,003**
VIII. Balance in Profit and Loss Account	**105,69,814**	**109,23,675**
Total	**774,74,281**	**756,68,045**

* - 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 ₹ 63,365 Thousands (Previous year ₹ 286,163 Thousands)
b) Profit on sale of Land ₹ NIL (Previous year ₹ 1,397 Thousands)

- Represents amount received on exercise of Employee stock options

THE FEDERAL BANK LIMITED

SCHEDULES FORMING PART OF THE BALANCE SHEET

(₹ in Thousands)

	As at 31 March 2016	As at 31 March 2015
SCHEDULE 3 - DEPOSITS		
A. I. Demand Deposits		
i. From Banks	13,13,810	7,87,120
ii. From Others	449,90,025	397,78,774
	463,03,835	**405,65,894**
II. Savings Bank Deposits	**2142,22,059**	**1772,69,068**
III. Term Deposits		
i. From Banks	51,39,728	243,84,519
ii. From Others	5260,51,446	4660,30,447
	5311,91,174	**4904,14,966**
Total	**7917,17,068**	**7082,49,928**
B. I. Deposits of branches in India	7917,17,068	7082,49,928
II. Deposits of branches outside India	-	-
Total	**7917,17,068**	**7082,49,928**
SCHEDULE 4 - BORROWINGS		
I.Borrowings in India		
i. Reserve Bank of India	-	-
ii. Other Banks #	4,72,000	3,22,000
iii. Other institutions and agencies ##	166,94,986	196,38,127
	171,66,986	**199,60,127**
II.Borrowings outside India	45,98,680	31,22,284
Total	**217,65,666**	**230,82,411**
Secured borrowings included in I and II above	81,20,683	31,81,169
# Includes Subordinated Debt of ₹ 322,000 Thousands (Previous Year ₹ 322,000 Thousands) in the nature of Non Convertible debentures (included in Tier - II capital).		
## Borrowings from other Institutions and agencies include Subordinated Debt of ₹ 1,678,000 Thousands (Previous Year ₹1,678,000 Thousands) in the nature of Non Convertible Debentures (included in Tier - II capital).		
SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS		
I. Bills Payable	93,265	1,89,506
II. Inter - office adjustments (Net)	21,49,956	22,27,182
III. Interest accrued	23,24,723	21,70,039
IV. Others (including provisions)*	153,37,451	152,04,386
Total	**199,05,395**	**197,91,113**
*Includes :-		
(a) Contingent provision against standard assets	31,64,281	28,69,281
(b) Proposed Dividend	12,03,289	18,84,643
(c) Tax on Proposed Dividend	2,45,274	3,83,700
(d) Deferred Tax Liability (Net)	-	3,94,957

THE FEDERAL BANK LIMITED

SCHEDULES FORMING PART OF THE BALANCE SHEET

(₹ in Thousands)

	As at 31 March 2016	As at 31 March 2015
SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA		
I. Cash in hand (including foreign currency notes)	55,77,729	65,55,687
II. Balance with Reserve Bank of India		
i. in Current Accounts	321,67,662	272,39,742
ii. in Other Accounts	-	-
Total	**377,45,391**	**337,95,429**
SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE		
I. In India		
i. Balances with banks		
a. in Current Accounts	46,23,025	19,22,567
b. in Other Deposit Accounts	5,07,000	31,12,480
ii. Money at call and short notice		
a. With Banks	-	20,00,000
b. With other institutions	-	-
Total	**51,30,025**	**70,35,047**
II. Outside India		
i. in Current Accounts	3,90,609	7,19,489
ii. in Other Deposit Accounts	109,32,075	62,50,000
iii. Money at call and short notice	-	-
Total	**113,22,684**	**69,69,489**
Grand Total (I and II)	**164,52,709**	**140,04,536**

THE FEDERAL BANK LIMITED

SCHEDULES FORMING PART OF THE BALANCE SHEET

(₹ in Thousands)

	As at 31 March 2016	As at 31 March 2015
SCHEDULE 8 - INVESTMENTS		
I. Investments in India in :		
i. Government Securities ## **	1700,39,703.11	1687,60,964
ii. Other approved Securities	-	-
iii. Shares	15,54,362.67	15,79,257
iv. Debentures and Bonds	169,90,389.30	79,65,452
v. Subsidiaries/ Joint Ventures	39,80,000.00	39,80,000
vi. Others @	296,03,955.19	234,02,502
Total	**2221,68,410.27**	**2056,88,175**
II. Investments outside India - Shares	6,532.07	-
Grand Total (I and II)	**2221,74,942.34**	**2056,88,175**
Gross Investments		
In India	2232,39,901.26	2059,88,251
Outside India	8,141.07	-
	2232,48,042.33	**2059,88,251**
Depreciation/ Provision for Investments		
In India	10,71,491.00	3,00,076
Outside India	1,609.00	-
	10,73,100.00	**3,00,076**
Net Investments		
In India	2221,68,410.26	2056,88,175
Outside India	6,532.07	-
	2221,74,942.33	**2056,88,175**

Securities costing ₹ 41,341,696 Thousands (Previous Year ₹ 53,495,978 Thousands) pledged for availment of fund transfer facility, clearing facility and margin requirements

** Net of Repo borrowing of ₹ 29,380,000 Thousands (Previous Year ₹ 24,336,000 Thousands) under the Liquidity Adjustment Facility in line with the RBI requirements

@ Includes:

(₹ in Thousands)

Particulars	As at 31 March 2016	As at 31 March 2015
Pass through certificates (PTCs)	63,573	9,28,780
Certificate of Deposits	118,38,290	176,64,316
Commercial Paper	110,92,995	-
Venture Capital Funds (VCFs)	3,81,198	3,92,303
Security Receipts	62,27,571	44,16,757
Others	328	346
	296,03,955	**234,02,502**

SCHEDULES FORMING PART OF THE BALANCE SHEET

(₹ in Thousands)

	As at 31 March 2016	As at 31 March 2015
SCHEDULE 9 - ADVANCES (NET OF PROVISIONS)		
A. i. Bills purchased and discounted	140,41,982	132,60,651
ii. Cash credits, overdrafts and loans repayable on demand	3240,66,663	2841,25,237
iii. Term loans	2427,92,803	2154,64,026
Total	**5809,01,448**	**5128,49,914**
B. i. Secured by tangible assets $	4862,38,853	4443,58,695
ii. Covered by Bank/Government guarantees #	213,15,370	258,21,130
iii. Unsecured	733,47,225	426,70,089
Total	**5809,01,448**	**5128,49,914**
C. I. Advances in India		
i. Priority Sectors	1852,93,996	1734,02,580
ii. Public Sector	52,52,443	351,82,365
iii. Banks	74,739	7,540
iv. Others	3875,25,563	3042,57,429
Total	**5781,46,741**	**5128,49,914**
II.Advances outside India (Refer note 1.16 of Schedule 18)		
i. Due from Banks		-
ii. Due from Others		
a) Bills purchased and discounted	-	-
b) Syndicated Loans	-	-
c) Others	27,54,707	-
Total	**27,54,707**	**-**
Grand Total (C I and C II)	**5809,01,448**	**5128,49,914**
$ Includes Advances against book debts		
# Includes Advances against L/Cs issued by banks		

THE FEDERAL BANK LIMITED

SCHEDULES FORMING PART OF THE BALANCE SHEET

(₹ in Thousands)

	As at 31 March 2016	As at 31 March 2015
SCHEDULE 10 - FIXED ASSETS		
I OWNED ASSETS		
a.Premises #		
Gross Block		
At the beginning of the year	22,97,653	22,63,552
Additions during the year	41,933	35,292
Deductions during the year	-	1,191
Closing Balance	**23,39,586**	**22,97,653**
Depreciation		
As at the beginning of the year	7,41,164	6,84,730
Charge for the Year	54,938	56,434
Deductions during the year	-	-
Depreciation to date	**7,96,102**	**7,41,164**
Net Block	**15,43,484**	**15,56,489**
b.Other fixed assets		
(including furniture and fixtures)		
Gross Block		
At the beginning of the year	79,73,192	69,10,217
Additions during the year	16,68,815	11,32,916
Deductions during the year	92,038	69,941
Closing Balance	**95,49,969**	**79,73,192**
Depreciation		
As at the beginning of the year	51,29,180	44,65,692
Charge for the year *	9,99,530	7,24,650
Deductions during the year	77,411	61,162
Depreciation to date	**60,51,299**	**51,29,180**
Net Block	**34,98,670**	**28,44,012**
II. Capital Work in progress (Including Capital Advances)	**1,57,597**	**2,65,813**
Total (I & II)	**51,99,751**	**46,66,314**

 # Includes buildings constructed on leasehold land at different places having original cost of ₹ 655,643 Thousands (Previous Year ₹ 655,643 Thousands) and Written down value of ₹ 512,528 Thousands (Previous Year ₹ 520,026 Thousands) with remaining lease period varying from 60 - 72 years

** - Net of reversal of excess depreciation - ₹ Nil (Previous Year: ₹ 243,498 Thousands) pursuant to change in method of depreciaion for certain categories of fixed assets from written down value (WDV) method to straight line method (SLM).*

SCHEDULES FORMING PART OF THE BALANCE SHEET

(₹ in Thousands)

	As at 31 March 2016	As at 31 March 2015
SCHEDULE 11 - OTHER ASSETS		
I. Inter - office adjustments (net)	-	-
II. Interest accrued	49,37,172	54,96,770
III. Tax paid in advance/Tax Deducted at source (Net of provision)	62,98,477	93,11,672
IV. Stationery and Stamps	45,485	34,239
V. Non-banking assets acquired in satisfaction of claims*	15,430	5,953
VI. Others #	405,29,495	426,51,801
Total	**518,26,059**	**575,00,435**
* - Includes certain Non-Banking assets acquired in satisfaction of claims which are in the process of being transferred in the Bank's name		
# Includes		
(a)Priority sector shortfall deposits (Refer Note 1.4.4 (d) of Schedule 18)	334,57,992	384,03,772
(b) Deferred Tax Asset (Net)	5,55,243	-
SCHEDULE 12 - CONTINGENT LIABILITIES		
I. Claims against the Bank not acknowledged as debts	11,08,668	32,37,495
II. Liability on account of outstanding forward exchange contracts	1424,21,170	1263,08,293
III. Guarantees given on behalf of constituents - in India	439,96,473	326,01,130
IV. Acceptances, endorsements and other obligations	132,05,034	90,04,087
V. Other items for which the Bank is contingently liable @	18,04,398	9,97,237
Total	**2025,35,743**	**1721,48,242**
(Refer Note 2.9 of Schedule 18) @ - includes ₹ 773,328 Thousands (Previous Year :₹ 667,960 Thousands) being amount transferred to DEAF Cell, RBI and outstanding, as per RBI circular DBOD.No.DEAF Cell.BC.114/30.01.002/2013-14 (Refer Note 1.8.11 of Schedule 18).		

THE FEDERAL BANK LIMITED

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT

(₹ in Thousands)

	Year ended 31 March 2016	Year ended 31 March 2015
SCHEDULE 13 - INTEREST EARNED		
I. Interest/discount on advances/bills	566,93,108	544,68,334
II. Income on investments (Refer Note 1.4.4 (d) of Schedule 18)	175,96,277	164,96,803
III.Interest on balances with Reserve Bank of India and other inter-bank funds	5,59,630	6,23,602
IV. Others*	25,97,905	26,05,938
Total	**774,46,920**	**741,94,677**
* - Includes interest on Income tax refunds amounting to ₹ 408,492 Thousands (Previous year ₹ 704,797 Thousands) accounted based on Assessment orders received.		
SCHEDULE 14 - OTHER INCOME		
I. Commission, exchange and brokerage	41,54,707	38,11,456
II. Profit on sale of investments (Net)	12,75,129	25,56,674
III. Profit on revaluation of investments (Net)	-	-
IV. Profit / Loss on sale of land, buildings and other assets (Net)	(3,406)	2,433
V. Profit on foreign exchange transactions (Net)	13,04,908	11,62,068
VI. Income earned by way of dividends etc. from companies in India	34,665	71,756
VII.Miscellaneous income [Includes Recoveries in assets written off ₹ 889,322 Thousands (Previous year ₹ 1,067,534 Thousands)]	10,97,778	11,78,672
Total	**78,63,781**	**87,83,059**

THE FEDERAL BANK LIMITED

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT

(₹ in Thousands)

	Year ended 31 March 2016	Year ended 31 March 2015
SCHEDULE 15 - INTEREST EXPENDED		
I. Interest on deposits	506,14,000	462,75,055
II. Interest on Reserve Bank of India/Inter bank borrowings	89,818	5,87,683
III.Others	17,00,658	35,27,851
Total	**524,04,476**	**503,90,589**
SCHEDULE 16 - OPERATING EXPENSES		
I. Payments to and provisions for employees	105,28,542	89,19,615
II. Rent, taxes and lighting	20,33,856	18,41,525
III. Printing and stationery	1,70,859	1,69,076
IV. Advertisement and publicity	45,536	3,89,984
V. Depreciation on Bank`s property*	10,54,468	7,45,946
VI. Directors' fees, allowances and expenses	17,223	19,864
VII. Auditors' fees and expenses (including branch auditors' fees and expenses)	73,642	69,195
VIII.Law charges	83,475	72,781
IX. Postage, Telegrams, Telephones etc	4,68,985	4,54,936
X. Repairs and maintenance	5,58,496	4,66,148
XI. Insurance	7,36,995	6,21,941
XII. Other expenditure#	28,96,340	25,38,316
Total	**186,68,417**	**163,09,327**

* - Net of reversal of excess depreciation - ₹ Nil (Previous Year: ₹ 243,498 Thousands) pursuant to change in method of depreciaion for certain categories of fixed assets from written down value(WDV) method to straight line method (SLM).

- Includes expenditure on Corporate Social Responsibility - ₹ 123,027 Thousands (Previous Year: ₹ 72,772 Thousands)

THE FEDERAL BANK LIMITED

SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES APPENDED TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2016

1 Background

The Federal Bank Limited ('the Bank') was incorporated in 1931 as Travancore Federal Bank Limited to cater to the banking needs of Travancore Province. It embarked on a phase of sustained growth under the leadership of Late K.P. Hormis. The Bank has a network of 1278 branches / offices in India and provides retail and corporate banking, para banking activities such as debit card, third party product distribution etc., treasury and foreign exchange business. The bank is governed by the Banking Regulation Act, 1949 and other applicable Acts / Regulations. The Bank's shares are listed on BSE Limited and National Stock Exchange of India Limited. The GDRs issued by the Bank in 2006 have been listed on London Stock Exchange.

During the year, the bank had set up an International Financial Service Centre (IFSC) Banking unit (IBU) in Gujarat International Finance Tec-City (GIFT City) in line with global financial centres of Singapore and Dubai. IBU at Gift city is equivalent to an Offshore Banking unit, for all regulatory purposes.

2. Basis of preparation

The financial statements have been prepared in accordance with requirements prescribed under the Third Schedule (Form A and Form B) of the Banking Regulation Act, 1949. The accounting and reporting policies of the bank used in the preparation of these financial statements conform to Generally Accepted Accounting Principles in India ("Indian GAAP"), the circulars and guidelines issued by the Reserve Bank of India ('RBI') from time to time and the Accounting Standards prescribed under Section 133 of the Companies Act, 2013 ("the Act") and the relevant provisions of the Act, as applicable and current practices prevailing within the banking industry in India. The Bank follows the historical cost convention and accrual method of accounting in the preparation of the financial statements, except in the case of interest income on Non-Performing Assets where it is recognised upon realisation, as per RBI guidelines. The accounting policies adopted in the preparation of financial statements are consistent with those followed in the previous year.

The Ministry of Corporate affairs (MCA) has notified the Companies (Accounting Standards) Amendment Rules, 2016 vide its notification dated March 30, 2016. As per Clarification issued by Institute of Chartered Accountants of India dated 26th April, 2016, the said notification is applicable to accounting periods commencing on or after the date of notification i.e. 1st April, 2016. Hence the said notification has not been considered in the preparation of the financial statements.

3. Use of estimates

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

4. Significant accounting policies

4.1 *Advances*

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

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

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

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

The Bank maintains general provision for standard assets including credit exposures computed as per the current marked to market values of interest rate and foreign exchange derivative contracts, in accordance with the guidelines and at levels stipulated by RBI from time to time – Farm Credit to agricultural activities and Small and Micro Enterprises (SMEs) 0.25%, Commercial Real Estate at 1%, restructured advances at 5%, teaser rate housing loans at 2%, commercial real estate- residential housing at 0.75% and for other sectors at 0.40%.

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 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.

Loss on sale of assets to Asset Reconstruction Companies

The RBI issued guidelines on sale of non-performing advances on February 26, 2014. In accordance with these guidelines, if the sale of non- performing advances is at a price below the net book value, the shortfall is charged to the Profit and Loss Account spread over a period of two years. 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.

4.2 ***Country risk***

In addition to the provisions required to be held according to the asset classification status, provisions are held for individual country exposure (other than for home country). The countries are categorised into seven risk categories namely insignificant, low, moderate, high, very high, restricted and off-credit as per Export Credit Guarantee Corporation of India Limited ("ECGC") guidelines and provision is made on exposures exceeding 180 days on a graded scale ranging from 0.25% to 100%. For exposures with contractual maturity of less than 180 days, 25% of the normal provision requirement is held. If the country exposure (net) of the Bank in respect of each country does not exceed 1% of the total funded assets, no provision is maintained on such country exposure.

4.3 ***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)

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

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

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

Transfer of securities between Categories

Transfer of securities between categories is done at the lower of the acquisition cost / book value / market value on the date of the transfer and the depreciation, if any, on such transfer is fully provided for, as per RBI guidelines.

Acquisition Cost

In determining the acquisition cost of the Investment:

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

Valuation

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

a) Held for Trading /Available for Sale – Investments classified under the AFS and HFT categories are marked-to-market. The market/fair value of quoted investments included in the 'AFS' and 'HFT' categories is the Market Price of the Scrip as available from the trades/ quotes on the stock exchanges or prices declared by Primary Dealers Association of India ('PDAI') jointly with Fixed Income Money Market and Derivative Associations of India ('FIMMDA'), periodically. Net depreciation, if any, within each category of each investment classification is recognised in Profit and Loss Account. The net appreciation, if any, under each category of each Investment is ignored. 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 of government securities are 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 and Certificate of Deposits being discounted instruments, are valued at carrying cost.

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

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

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

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

g) The Bank follows trade date method of accounting for purchase and sale of investments, except for Government of India and State Government securities where settlement date method of accounting is followed in accordance with RBI Guidelines.

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

Disposal of Investments

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

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

Repo and Reverse Repo transactions

In accordance with the RBI guidelines repo and reverse repo transactions in government securities [excluding transactions conducted under Liquidity Adjustment Facility ('LAF') and Marginal Standby facility ('MSF') with RBI] are reflected as borrowing and lending transactions respectively. Borrowing cost on repo transactions is accounted for as interest expense and revenue on reverse repo is accounted for as interest income.

In respect of Repo transactions under LAF and MSF with RBI, amount borrowed from RBI are credited to investment account and reversed on maturity of the transaction. Costs thereon are accounted for as interest expense. In respect of reverse Repo transactions under LAF, amount lent to RBI is debited to investment account and reversed on maturity of the transaction. Revenues thereon are 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. Such short positions are categorized under HFT category. These positions are marked –to-market along with the other securities under HFT Portfolio and resultant mark-to-market gains/losses are accounted for as per the relevant RBI guidelines for valuation of Investments discussed earlier.

4.4 **Transactions involving foreign exchange**

Foreign currency income and expenditure items of domestic operations are translated at the exchange rates prevailing on the date of the transaction. Income and expenditure items of non- integral foreign operations (IBU at GIFT city) are translated at quarterly average closing rates.

Foreign currency monetary items of domestic operation are translated at the closing exchange rates notified by Foreign Exchange Dealer's Association of India (FEDAI) as at the Balance sheet date and the resulting net valuation profit or loss is recognized in the profit and loss account.

Both Monetary and Non- Monetary foreign currency Assets and liabilities of Non-Integral Foreign Operations are translated at closing exchange rates notified by FEDAI at the balance sheet date and 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.

Foreign exchange spot and forward Contracts (Other than Foreign exchange swaps taken to hedge Federal Rupee plus deposits denominated in JPY) outstanding as at the Balance Sheet date are revalued at the closing Spot and Forward Rates respectively as notified by FEDAI and at interpolated 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 directed by FEDAI to consider profit or loss on present value basis, the forward profit or loss on the deals are discounted till the valuation date using the discounting yields. The resulting profit or loss on valuation is recognised in the Profit and Loss Account.

Foreign exchange swaps taken to hedge Federal Rupee plus deposits denominated in JPY are translated at the prevailing spot rate at the time of swap. The Premium/ Discount on the swap arising out of the difference in the exchange rate of the swap date and maturity date of the underlying forward exchange contract is amortised over the period of the swap and the same is recognised 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

4.5 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 other than those designated as hedges are recognised in the Profit and Loss Account.

4.6 Fixed assets and depreciation

Fixed assets are carried at cost of acquisition less accumulated depreciation and impairment, if any. Cost includes cost of purchase and all expenditure like freight, duties, taxes and incidental expenses related to the acquisition and installation of the asset.

Capital work-in-progress includes cost of fixed assets that are not ready for their intended use and also 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 a straight-line basis at the rates and manner prescribed in Schedule II of the Companies Act, 2013, 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. Improvement to leased Premises are depreciated over 5 years based on technical evaluation.

- Depreciation on premises revalued has been charged on their written-down value including the addition made on revaluation.

Depreciation on assets sold during the year is recognised on a pro-rata basis till the date of sale.

Profit on sale of premises is appropriated to Capital Reserve account in accordance with RBI instructions.

4.7 Impairment of Assets

The carrying values of assets at each balance sheet date are reviewed for impairment, if any indication of impairment exists. If the carrying amount of the assets exceed the estimated recoverable amount, an impairment is recognised for such excess amount. The impairment loss is recognised as an expense in the Profit and Loss Account, unless the asset is carried at revalued amount, in which case any impairment loss of the revalued asset is treated as a revaluation decrease to the extent a revaluation reserve is available for that asset.

The recoverable amount is the greater of the net selling price and their value in use. Value in use is arrived at by discounting the future cash flows to their present value based on an appropriate discount factor.

When there is indication that an impairment loss recognised for an asset (other than a revalued asset) in earlier accounting periods no longer exists or may have decreased, such reversal of impairment loss is recognised in the Profit and Loss Account, to the extent the amount was previously charged to the Profit and Loss Account. In case of revalued assets such reversal is not recognised.

4.8 Non-Banking Assets

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

4.9 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)

4.10 Revenue Recognition

- Interest income is recognised on an accrual basis except interest income on non-performing assets, which is recognised upon receipt with AS-9, Revenue Recognition as prescribed under Section 133 of the Companies Act, 2013 and as specified in RBI guidelines.
- 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.
- 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.

4.11 **Lease transactions**

Operating Lease

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

4.12 ***Retirement and other employee benefits***

a) **Provident Fund**

The contribution made by the bank to The Federal Bank Employees Provident Fund, administered by the trustees is charged to the Profit and Loss account.

b) **Pension Fund**

The contribution towards The Federal Bank Employees' Pension Fund, managed by trustees, is determined on actuarial basis on projected unit credit method as on the Balance Sheet date and is recognised in the accounts.

Employees who had joined the services of the Bank with effect from April 01, 2010 are covered under Defined Contributory Pension Scheme (DCPS). In respect of such employees the bank contributes 10% of the Basic Pay plus Dearness Allowance and the expenditure thereof is charged to the Profit and Loss account.

c) **Gratuity**

The bank makes annual contribution to The Federal Bank Employees' Gratuity Trust Fund administered and managed by the Trustees. The cost of providing such benefits is determined using the Projected Unit Credit method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognised in the Profit and Loss Account in the period in which they occur. The retirement benefit obligation recognised in the Balance Sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the schemes.

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

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

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

e) **Other employee Benefits**

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

4.13 Debit card reward points

The Bank runs a loyalty program which seeks to recognise and reward customers based on their relationship with the Bank. Under the program, eligible customers are granted loyalty points redeemable in future, subject to certain conditions. The Bank estimates the probable redemption of such loyalty/reward points using an actuarial method at the Balance Sheet date by employing independent actuary. Provision for said reward points is then made based on the actuarial valuation report as furnished by the said independent Actuary.

4.14 Employee Stock Option Scheme

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

4.15 Taxation

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

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

Minimum Alternate Tax (MAT) paid in accordance with the tax laws, which gives future economic benefits in the form of adjustment to future income tax liability, is considered as an asset if there is convincing evidence that the Bank will pay normal income tax. Accordingly, MAT is recognised as an asset in the Balance Sheet when it is highly probable that future economic benefit associated with it will flow to the Bank.

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 reviewed at each balance sheet date for their realisability.

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

4.16 **Earnings per Share**

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

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

4.17 **Segment information**

The disclosure relating to segment information is in accordance with the guidelines issued by RBI.

4.18 **Provisions, contingent liabilities and contingent assets**

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

A disclosure of contingent liability is made when there is:

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

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

4.19 **Corporate Social Responsibility**

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

4.20 **CENVAT Credit**

Service tax input credit is accounted for in the books within the time limit prescribed under CENVAT Credit Rules, 2004, as amended.

THE FEDERAL BANK LIMITED

SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2016

1. **Disclosures as per RBI's Master Circular on Disclosure in Financial Statements**
Amounts in notes forming part of the financial statements for the year ended 31st March, 2016 are denominated in Rupees Crore to conform to extant RBI guidelines.

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

Under Basel III Capital Regulations, on an on-going basis, the Bank has to maintain a Minimum Total Capital (MTC) of 9.625% (Previous Year 9%) including Capital Conversion Buffer (CCB) at 0.625% (Previous Year Nil), of the total risk weighted assets (RWA). Out of the MTC, at least 6.125% (Previous Year 5.50%), including 0.625% (Previous Year Nil) towards CCB, shall be from Common Equity Tier 1 (CET1) capital and at least 7% (Previous Year 7%) from Tier 1 capital. The capital adequacy ratio of the Bank is set out below:

(₹ in Crore)

Particulars	**As at 31 March, 2016**	**As at 31 March, 2015**
Common Equity Tier I	7791.84	7534.23
Tier 1 Capital	7791.84	7534.23
Tier 2 Capital	333.64	330.79
Total Capital	8125.48	7865.02
Total risk weighted assets	58330.10	50888.63
Capital Ratios		
Common Equity Tier 1	13.36%	14.81%
Tier 1 Capital	13.36%	14.81%
Tier 2 Capital	0.57%	0.65%
Total CRAR	13.93%	15.46%
Percentage of the shareholding of the Government of India in public sector banks	NA	NA
Amount of Equity Capital Raised	-	-
Amount of Additional Tier I Capital raised of which: Perpetual Non- Cumulative Preference Shares (PNCPS)		
Perpetual Debt Instruments (PDI)	-	-
Amount of Tier II Capital raised of which:	-	-
Debt Capital instruments		
Preference Share Capital Instruments:	-	-
[Perpetual Cumulative Preference Shares (PCPS) / Redeemable Non Cumulative Preference Shares (RNCPS) / Redeemable Cumulative Preference Shares (RCPS)]	-	-

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

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

Particulars		As at 31st March 2016	As at 31st March 2015
(i)	Interest Income as a percentage to Working Funds* (%)	9.21	9.76
(ii)	Non-interest income as a percentage to Working Funds* (%)	0.94	1.16
(iii)	Operating Profit as a percentage to Working Funds* (%)	1.69	2.14
(iv)	Return on Assets [Based on Average Working Fund] *(%)	0.57	1.32
(v)	Business (Deposits less inter-bank deposits plus advances) per employee (₹ in Crore)**	12.03	11.15
(vi)	Profit per employee (₹ in Crore)**	0.04	0.09

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

** Productivity ratios are based on average employee numbers for the year.

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

(₹ in Crore)

	For the year ended	31st March 2016	31st March 2015
i)	Provision towards NPAs *	555.32	204.34
ii)	Provision for Depreciation in Value of Investments (Net)	16.74	(93.47)
iii)	Provision for Non - Performing Investments	63.42	12.86
iv)	Provision for Standard Assets	29.50	54.10
v)	Withdrawal from floating provision	-	(12.75)
vi)	Provision for Taxation : Current Tax Deferred tax	 339.02 (95.02)	 760.27 (244.98)
vii)	Provision towards Present Value of sacrifice on restructuring, other contingencies etc.	39.15	(58.34)
	Total	**948.13**	**622.03**

* Net of Floating Provision of ₹ 69 Crore (Previous Year:₹ Nil) withdrawn during the year vide Circular DBR.No.BP.BC.79/21.04.048/2014-15 dated March 30, 2015 issued by the Reserve Bank of India.

1.4. **Investments**

1.4.1. **Details of Investments:**

(₹ in Crore)

Particulars	31st March 2016	31st March 2015
(1) Value of Investments		
(i) Gross Value of Investments		
(a) In India	22323.99	24439.20
(b) Outside India	0.81	-
(ii) Provisions for Depreciation		
(a)In India	29.06	12.48
(b) Outside India	0.16	-
(iii) Provisions for Non-Performing Investments		
(a)In India	78.09	17.53
(b) Outside India	-	-
(iv) Net Value of Investments		
(a) In India	22216.84	24409.19
(b) Outside India	0.65	-
(2) Movement of provision held towards depreciation on Investments.		
(i) Opening balance	12.48	105.95
(ii) Add: Provisions made during the year	36.34	5.28
(iii) Less: Write-off/ write-back of excess provisions during the year	19.60	98.75
(iv) Closing balance	29.22	12.48
(3) Movement of provision for Non Performing Investments (NPIs)		
(i) Opening Balance	17.53	4.67
(ii) Add: Provision made during the year	63.42	12.86
(iii) Less: Write –off/ Write back of excess provisions during the year	2.86	-
(iv) Closing Balance	78.09	17.53

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

1.4.2. a) Investments under HTM (excluding specified investments as per RBI norms) account for 20.72% (Previous year 22.23%) of demand and time liabilities as at the end of March 2016 as against permitted ceiling of 21.50% (Previous Year: 23.50%) stipulated by RBI.

b) In respect of securities held under HTM category premium of ₹ 35.34 Crore (Previous year: ₹ 32.11Crore) has been amortised during the year and debited under interest received on Government securities.

c) Profit on sale of securities from HTM category amounting to ₹ 12.92 Crore (Previous year: ₹ 57.80 Crore) has been taken to Profit and Loss Account. During the year, the Bank had appropriated ₹ 6.34 Crore (Previous year ₹ 28.62 Crore),[net of taxes and transfer to statutory reserve] to the Capital Reserve, being the gain on sale of HTM Investments in accordance with RBI guidelines.

d) During the year the bank had withdrawn ₹ 8.21 Crore [net of applicable taxes and transfer to statutory reserve] from Investment Reserve Account on provision for depreciation on Investments, debited to Profit and Loss account.

During the year ended 31st March, 2015 the bank had transferred ₹ 46.28 Crore [net of applicable taxes and transfer to statutory reserve] to Investment Reserve Account on provision for depreciation on Investments, credited to Profit and Loss account.

1.4.3. **Repo Transactions**

Details of securities sold/purchased (in face value terms) during the years ended 31stMarch, 2016 and 31stMarch, 2015 under repos/reverse repos :

(₹ in Crore)

Particulars	Outstanding during the year			Outstanding as on 31/03/2016/ (31/03/2015)
	Minimum	Maximum	Daily Average	
A) Securities sold under RBI Repos				
i) Government Securities	(-) (-)	2825.00 (2670.00)	427.76 (1086.83)	2825.00 (2340.00)
ii)Corporate Debt Securities	- (-)	- (-)	- (-)	- (-)
Securities purchased under RBI Reverse Repos				
i) Government Securities	- (-)	1541.00 (400.00)	135.52 (18.27)	- (-)
ii)Corporate Debt Securities	- (-)	- (-)	- (-)	- (-)
B)Securities sold under Market Repos				
i) Government Securities	- (-)	104.05 (588.96)	10.58 (33.40)	- (-)
ii)Corporate Debt Securities	- (-)	- (-)	- (-)	- (-)
Securities purchased under Reverse Market Repos				
i) Government Securities	- (-)	1045.55 (956.96)	143.71 (49.41)	- (-)
ii)Corporate Debt Securities	- (-)	- (-)	- (-)	- (-)

(Previous year's figures are given in brackets)

1.4.4. **Details of Non-SLR investment portfolio**

a) Issuer composition as at 31 March, 2016 of non-SLR investments*

(₹ 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	275.74 (391.85)	275.74 (391.85)	5.00 (356.85)	- (83.30)	- (-)
2	Financial Institutions	962.93 (20.16)	500.17 (20.16)	- (-)	- (-)	5 (5)
3	Banks	1305.10 (1897.68)	108.14 (105.92)	30.00 (15)	- (-)	- (-)
4	Private Corporates	1082.86 (492.06)	416.65 (370.03)	35.36 (85.53)	15.00 (22.59)	59.98 (59.98)
5	Subsidiaries/ Joint ventures	398.00 (398.00)	398.00 (398.00)	- (-)	- (-)	- (-)
6	Others	678.28 (482.18)	678.28 (482.18)	450.82 (347.03)	188.51 (0.88)	- (-)
7	Less: Provision held towards depreciation on investment	23.91 (7.92)	XXX	XXX	XXX	XXX
8	Less: Provision held towards non performing investments	78.09 (17.53)	XXX	XXX	XXX	XXX
	Total	**4600.91 (3656.48)**	**2376.98 (1768.14)**	**521.18 (804.41)**	**203.51 (106.77)**	**64.98 (64.98)**

Previous year's figures are given in brackets

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

* excludes investments in non-SLR government securities amounting to ₹ 612.61 Crore (Previous year ₹ 36.25 Crore)

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

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

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

(₹ in Crore)

Particulars	31 March 2016	31 March 2015
Shares	156.09	157.93
Debentures and Bonds *	1699.04	796.55
Subsidiaries/Joint Ventures	398.00	398.00
Others	2960.39	2340.25
Total	**5213.52**	**3692.73**

* Includes investments in non-SLR government securities amounting to ₹ 612.61 Crore (Previous year ₹ 36.25 Crore)

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

(₹ in Crore)

Particulars	31 March 2016	31 March 2015
Opening Balance	17.53	4.67
Additions during the year	217.98	12.86
Reductions during the year	2.86	-
Closing Balance	232.65	17.53
Total Provision held	78.09	17.53

d) In accordance with RBI Circular DBR.BP.BC.No.31/21.04.018/2015-16 dated July 16, 2015, the Bank has, effective from September 30, 2015 included its deposits placed with NABARD, SIDBI and NHB on account of shortfall in lending to priority sector under 'Other Assets'. Hitherto these were included under 'Investments' and Interest income thereon was included under 'Interest Earned - Income on Investments'. Arising out of regrouping in line with the above mentioned RBI guidelines, interest income on deposit placed with NABARD,SIDBI and NHB is included under "Interest Earned - Others". Figures for the previous year have been regrouped / reclassified to conform to current year classification. The above change in classification has no impact on the profit of the Bank for the year ended March 31, 2016 and March 31, 2015.

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

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

1.5. **Derivatives**

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

1.5.1 **Exchange Traded Interest Rate Derivatives:**

(₹ in Crore)

Sl. No.	Particulars	31 March 2016	31 March 2015
(i)	Notional principal amount of exchange traded interest rate derivatives undertaken during the year (instrument-wise)	Nil	Nil
(ii)	Notional principal amount of exchange traded interest rate derivatives outstanding as on 31st March 2016	Nil	Nil
(iii)	Notional principal amount of exchange traded interest rate derivatives outstanding and not "highly effective" (Instrument wise)	Nil	Nil
(iv)	Mark-to-market value of exchange traded interest rate derivatives outstanding and not "highly effective" (instrument wise)	Nil	Nil

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

(₹ in Crore)

Particulars	31 March 2016	31 March 2015
i) The notional principal of swap agreements	2200.00	1246.60
ii) Losses which would be incurred if counter parties failed to fulfil their obligations under the agreements	7.04	3.86
iii) Collateral required by the bank upon entering into swaps	Nil	Nil
iv) Concentration of credit risk arising from the swaps	Nil	Nil
v) The fair value of the swap book	0.01	0.46

The nature and terms of the IRS as on 31 March, 2016 are set out below:

(₹ in Crore)

Nature	Nos.	Notional Principal	Benchmark	Terms
Trading	35	1025	NSE MIBOR	Fixed payable v/s floating receivable
Trading	34	1025	NSE MIBOR	Fixed Receivable/floating payable
Trading	6	150	NSE MIBOR	Fixed Receivable/floating payable

The nature and terms of the IRS as on 31 March, 2015 are set out below:

(₹ in Crore)

Nature	Nos.	Notional Principal	Benchmark	Terms
Trading	25	625	NSE MIBOR	Fixed payable v/s floating receivable
Trading	25	621.60	NSE MIBOR	Fixed Receivable/floating payable

The bank has not undertaken any transactions in Credit Default Swaps (CDS) during the year 31 March, 2016 and 31 March, 2015.

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

Qualitative disclosures:

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

Derivatives are financial instruments whose characteristics are derived from an underlying asset, or from interest and 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 whereby the Bank offers derivative products to the customers to enable them to hedge their interest rate and currency risks within the prevalent regulatory guidelines.

Proprietary trading includes Interest Rate Futures, Currency Futures and Rupee Interest Rate Swaps under different benchmarks (viz. MIBOR, MIFOR) in both OTC and 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, legal, reputation and operational risk. The Bank has adopted the following mechanism for managing risks arising out of the derivative transactions.

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. Derivative deals are generally executed for market making and also New derivative product has been started during the year Viz. Exchange traded OIS. The risk in the derivatives is monitored on daily or monthly basis by assessing marked to market position (MTM) of the entire portfolio and the impact on account of the probable market movements. The risk profile of the outstanding portfolio is reviewed by the Board at regular intervals. The current outstanding under the derivatives portfolio were executed for trading purposes.

The derivative transactions are governed by the derivative policy and market risk management policy of the Bank as well as by the extant RBI guidelines. Various 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), Stop Loss. 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.

Hedging transactions are undertaken by the Bank to protect the variability in the fair value or the cash flow of the underlying Balance Sheet item. These deals are accounted on an accrual basis except the swap designated with an asset/liability that is carried at market value or lower of cost or market value. In that case, the swap is marked to market with the resulting gain or loss recorded as an adjustment to the market value of designated asset or liability.

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

Bank deals in derivatives for hedging G-Sec 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. Hedge derivative transactions are accounted for in accordance with the hedge accounting principles.

Accounting for trading purpose depends on type of instrument:-

- Transaction relating for foreign exchange forward are marked to market and the resulting gain/loss is recorded in the Profit and Loss Account.
- Transaction relating to Interest rate Future/IRS/Currency future are marked to market every month and the MTM losses in the basket are accounted in the books while MTM profits are ignored

(c) Collateral Security

We have provided Sufficient Collateral Security to Central counter Parties and Exchanges wherever Applicable

As per market practice, no collateral security is insisted on for the contracts with counter parties like Banks/Primary Dealers (PDs) etc. For deals with Corporate Clients, appropriate collateral security/margin etc. is stipulated wherever considered necessary.

(d) Credit Risk Mitigation

Most of the deals have been contracted with Banks/ Major PDs and no default risk is anticipated on the deals with them. Currently Exchange Traded derivative contracts are done for other clients.

Quantitative Disclosures

(₹ in Crore)

Sl. No	Particulars	Currency Derivatives*		Interest rate Derivatives	
		Year ended March 31, 2016	Year ended March 31, 2015	Year ended March 31, 2016	Year ended March 31, 2015
(i)	Derivatives (Notional Principal Amount)				
	a)For hedging	-	-	150.00	-
	b) For trading	-	-	2050.00	1246.60
(ii)	Marked to Market positions				
	a) Asset (+)	-	-	7.04	3.86
	b) Liabilities (-)	-	-	-7.04	-3.40
(iii)	Credit Exposure	-	-	25.66	13.84
(iv)	Likely impact of one percentage change in interest rate (100*PV01)				
	a) on hedging derivatives	-	-	6.08	-
	b) on trading derivatives	-	-	-0.78	0.003
(v)	Maximum and Minimum of 100*PV01 observed during the year				
	a) on hedging	-	-	Max 0.624 Min 0.180	-
	b) on trading	-	-	Max 0.149 Min -0.688	Max 0.003 Min 0.003

* excludes forward exchange contract.

- ❖ The notional principal amount of forward exchange contracts classified as Hedging and Trading outstanding as on March 31,2016 amounted to ₹ 1589.18 Crore (Previous year ₹ 2804.07 Crore) and ₹ 12652.94 Crore (Previous year ₹ 9826.76 Crore) respectively. The marked to Market position (Asset) of these contracts are ₹ 21.15 Crore (Previous year ₹51.58 Crore) Credit exposure on forward exchange contracts at March 31, 2016 was ₹ 227.76 Crore (Previous year ₹ 554.25 Crore).
- ❖ The notional principal amounts of derivatives reflect the volume of transactions outstanding as at the Balance Sheet date and do not represent the amounts at risk.
- ❖ Interest rate derivative represents interest rate swaps.
- ❖ The bank has computed the maximum and minimum of PV01 for the year based on the balances as at the end of every month.
- ❖ In respect of derivative contracts, the bank evaluates the credit exposure arising therefrom, in line with RBI guidelines. Credit exposure has been computed using the current exposure method which is the sum of :
  - a) The current replacement cost (Marked to Market value including accruals of the contract) or zero whichever is higher.
  - b) The Potential Future Exposure (PFE) is a product of the notional principal amount of the contract and a factor that is based on the grid of credit conversion factor prescribed in RBI Guidelines, which is applied on the basis of the residual maturity and the type of contract.

1.6. Asset Quality

1.6.1 Net non-performing assets

Particulars	31 March, 2016 %	31 March, 2015 %
Net non-performing assets as a percentage of net advances.	1.64	0.73

1.6.2 Movement in gross non-performing assets

(₹in Crore)

Particulars	31 March, 2016	31 March, 2015
Gross NPAs as at the beginning of the year	1057.73	1087.41
Additions (Fresh NPAs) during the year	1895.41	814.10
Subtotal (A)	**2953.14**	**1901.51**
Less:		
(i) Upgradations	219.43	259.46
(ii) Recoveries (excluding recoveries made from upgraded accounts)	201.18	209.43
(iii) Technical/ Prudential Write – offs	448.48	225.10
(iv) Write –offs other than those under (iii) above	3.59	8.36
(v)Reduction by Sale of Assets to ARCs	412.69	141.43
Sub-total (B)	**1285.37**	**843.78**
Gross NPAs as at the end of the year *(A-B)	**1667.77**	**1057.73**

* after considering technical/ Prudential Write – Offs

Closing Gross NPAs before technical/ Prudential Write – Offs is ₹ 3460.18 Crore (Previous Year ₹ 2436.21 Crore)

1.6.3 Movement in net non-performing assets

(₹in Crore)

Particulars	31 March, 2016	31 March, 2015
Opening Balance	373.27	321.56
Additions during the year	956.33	409.00
Reductions during the year	379.59	357.29
Closing Balance	**950.01**	**373.27**

1.6.4 **Movement in provisions for non-performing assets**

(₹ in Crore)

Particulars	31 March, 2016	31 March, 2015
Opening Balance	666.38	721.17
Additions during the year *	908.17	401.70
Reductions during the year	874.05	456.49
Closing Balance	**700.50**	**666.38**

*includes reversal of excess provision on Sale of NPAs (Sold prior to February 26, 2014 to SCs/RCs) amounting to ₹ NIL (Previous Year ₹ 25.46 Crore) as permitted by RBI vide Circular DBR.No.BP.BC. 75/21.04.048/2014-15 dated March 11, 2015. This reversal has been utilised for Creation of NPA Provision during the Previous Year.

1.6.5 **Movement in floating provision is set out below:**

(₹ in Crore)

Particulars	Standard Assets Provision		NPA Provision	
	2015-16	**2014-15**	**2015-16**	**2014-15**
(a)Opening Balance	12.75	25.50	138.18	179.52
(b)Additional provision for the year	Nil	Nil	Nil	Nil
(c) Draw down during the year*	Nil	12.75	69.00	41.34
(d)Closing Balance	12.75	12.75	69.18	138.18

* Floating provision has been utilised in accordance with RBI circulars DBOD.No.BP.95/21.04.048/2013-14 dated February 7, 2014 and DBR.No.BP.BC.79/21.04.048/2014-15 dated March 30, 2015.

1.6.6 The Provision coverage ratio of the bank as on 31 March, 2016, computed in terms of the RBI Guidelines was 72.05 % (Previous Year 83.94%).

1.6.7 **Movement of Provision on Standard Assets**

(₹ in Crore)

Particulars	2015-16	2014-15
(a) Opening Balance	286.93	245.58
(b) Addition/Adjustments during the year	29.50	54.10
(c) Deduction during the year	-	12.75
(d) Closing Balance *	316.43	286.93

* Includes Provision held towards Unhedged Foreign Currency Exposure of Customers amounting - ₹ 10.05 Crore (Previous Year : ₹ 8.45 Crore)

1.6.8 **Amount of Provisions made for income-tax during the year**

(₹ in Crore)

Particulars	2015-16	2014-15
Provision for Income Tax		
a) Current Tax	339.02	760.27
b) Deferred Tax	(95.02)	(244.98)

1.6.9 Particulars of Accounts Restructured

Details of loan assets subjected to restructuring during the year ended 31 March, 2016:

(₹ in Crore)

Type of Restructuring		Under CDR Mechanism					Under SME Debt Restructuring Mechanism[6]				
Asset Classification		**Standard**	**Sub-Standard**	**Doubtful**	**Loss**	**Total**	**Standard**	**Sub-Standard**	**Doubtful**	**Loss**	**Total**
Restructured accounts as on April 1 of the FY (Opening Balance)	No. of borrowers	13	1	3	-	17	-	-	-	-	-
	Amount Outstanding – (a)Restructured facility	469.85	26.09	105.35	-	601.29	-	-	-	-	-
	b)Other Facility	74.11	17.71	21.65	-	113.47	-	-	-	-	-
	Provision thereon	6.96	0.26	4.71	-	11.93	-	-	-	-	-
Movement in balance for accounts appearing under opening balance[1]	No. of borrowers	3	-	-	-	3	-	-	-	-	-
	Amount Outstanding – (a)Restructured facility	136.48	-	0.01	-	136.49	-	-	-	-	-
	b)Other Facility	(29.77)	-	(5.26)	-	(35.03)	-	-	-	-	-
	Provision thereon	39.22	0.01	(0.01)	-	39.22	-	-	-	-	-
Fresh Restructuring during the year [2]	No. of borrowers	-	-	-	-	-	-	-	-	-	-
	Amount Outstanding – (a)Restructured facility	-	-	-	-	-	-	-	-	-	-
	b)Other Facility	-	-	-	-	-	-	-	-	-	-
	Provision thereon	-	-	-	-	-	-	-	-	-	-
Upgradation to restructured standard category during the FY	No. of borrowers	-	-	-	-	-	-	-	-	-	-
	Amount Outstanding – (a)Restructured facility	-	-	-	-	-	-	-	-	-	-
	b)Other Facility	-	-	-	-	-	-	-	-	-	-

Type of Restructuring		Under CDR Mechanism					Under SME Debt Restructuring Mechanism[6]				
Asset Classification		**Standard**	**Sub-Standard**	**Doubtful**	**Loss**	**Total**	**Standard**	**Sub-Standard**	**Doubtful**	**Loss**	**Total**
	Provision thereon	-	-	-	-	-	-	-	-	-	-
Restructured Standard Advances which cease to attract higher provisioning and/or additional risk weight at the end of FY	No. of borrowers	(3)				(3)	-				-
	Amount Outstanding – (a)Restructured facility	(62.41)				(62.41)	-				-
	b)Other Facility	(5.00)	-	-	-	(5.00)	-				-
	Provision thereon	-				-	-				-
Downgradation of restructured accounts during the FY	No. of borrowers	(7)	6	-	1	-	-	-	-	-	-
	Amount Outstanding – (a)Restructured facility	(258.76)	255.01	-	3.75	-	-	-	-	-	-
	b)Other Facility	(36.51)	32.73	-	3.78	-	-	-	-	-	-
	Provision thereon	(1.20)	1.20	-	-	-	-	-	-	-	-
Write-offs/ Sale of restructured accounts during the FY[3,4]	No. of borrowers	-	(2)	(2)	-	(4)	-	-	-	-	-
	Amount Outstanding – (a)Restructured facility	-	(135.44)	(65.30)	-	(200.74)	-	-	-	-	-
	b)Other Facility	-	(48.79)	(6.39)	-	(55.18)	-	-	-	-	-
	Provision thereon	-	(0.27)	(4.70)	-	(4.97)	-	-	-	-	-
Restructured accounts as on March 31 of the FY (closing figures)[5]	No. of borrowers	6	5	1	1	13	-	-	-	-	-
	Amount Outstanding – (a)Restructured facility	285.16	145.66	40.06	3.75	474.63	-	-	-	-	-
	b)Other Facility	2.83	1.65	10.00	3.78	18.26	-	-	-	-	-
	Provision thereon	44.98	1.20	-	-	46.18	-	-	-	-	-

(₹ in Crore)

Type of Restructuring		Others					Total				
Asset Classification		**Standard**	**Sub-Standard**	**Doubtful**	**Loss**	**Total**	**Standard**	**Sub-Standard**	**Doubtful**	**Loss**	**Total**
Restructured accounts as on April 1 of the FY (Opening Balance)	No. of borrowers	264	34	84	86	468	277	35	87	86	485
	Amount Outstanding – (a)Restructured facility	1279.23	29.49	39.79	1.67	1350.18	1749.08	55.58	145.14	1.67	1951.47
	b)Other Facility	1062.73	5.40	14.31	-	1082.44	1136.84	23.11	35.96	-	1195.91
	Provision thereon	16.01	1.46	0.38	0.09	17.94	22.97	1.72	5.09	0.09	29.87
Movement in balance for accounts appearing under opening balance [1]	No. of borrowers	12	(7)	(15)	(13)	(23)	15	(7)	(15)	(13)	(20)
	Amount Outstanding – (a)Restructured facility	(355.20)	(0.70)	(2.05)	(0.24)	(358.19)	(218.72)	(0.70)	(2.04)	(0.24)	(221.70)
	b)Other Facility	(554.12)	0.08	(0.07)	-	(554.11)	(583.89)	0.08	(5.33)	-	(589.14)
	Provision thereon	56.46	(1.40)	(0.13)	(0.02)	54.91	95.68	(1.39)	(0.14)	(0.02)	94.13
Fresh Restructuring during the year[2]	No. of borrowers	30	-	-	-	30	30	-	-	-	30
	Amount Outstanding – (a)Restructured facility	77.84	-	-	-	77.84	77.84	-	-	-	77.84
	b)Other Facility	14.39	-	-	-	14.39	14.39	-	-	-	14.39
	Provision thereon	4.64	-	-	-	4.64	4.64	-	-	-	4.64
Upgradation to	No. of borrowers	14	(7)	(4)	(3)	-	14	(7)	(4)	(3)	-

Type of Restructuring		Others					Total				
Asset Classification		Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total
restructured standard category during the FY	Amount Outstanding – (a)Restructured facility	0.72	(0.40)	(0.25)	(0.07)	-	0.72	(0.40)	(0.25)	(0.07)	-
	b)Other Facility	-	-	-	-	-	-	-	-	-	-
	Provision thereon	-	-	-	-	-	-	-	-	-	-
Restructured Standard Advances which cease to attract higher provisioning and/or additional risk weight at the end of FY	No. of borrowers	(218)				(218)	(221)				(221)
	Amount Outstanding – (a)Restructured facility	(215.56)				(215.56)	(277.97)				(277.97)
	b)Other Facility	(41.38)				(41.38)	(46.38)				(46.38)
	Provision thereon	-				-	-				-
Downgradation of restructured accounts during the FY	No. of borrowers	(82)	36	15	31	-	(89)	42	15	32	-
	Amount Outstanding – (a)Restructured facility	(269.11)	189.83	78.32	0.96	-	(527.87)	444.84	78.32	4.71	-
	b)Other Facility	(234.28)	228.85	5.41	0.02	-	(270.79)	261.58	5.41	3.80	-
	Provision thereon	(7.09)	7.01	0.04	0.04	-	(8.29)	8.21	0.04	0.04	-
Write-offs/ Sale of restructured accounts during the FY[3,4]	No. of borrowers	-	(1)	(6)	-	(7)	-	(3)	(8)	-	(11)
	Amount Outstanding – (a)Restructured facility	-	(113.84)	(21.29)	-	(135.13)	-	(249.28)	(86.59)	-	(335.87)
	b)Other Facility	-	(40.95)	(11.32)	-	(52.27)	-	(89.74)	(17.71)	-	(107.45)
	Provision thereon	-	(1.82)	(0.11)	-	(1.93)	-	(2.09)	(4.81)	-	(6.90)
Restructured accounts as on March 31 of the FY (closing	No. of borrowers	20	55	74	101	250	26	60	75	102	263
	Amount Outstanding – (a)Restructured facility	517.92	104.38	94.52	2.32	719.14	803.08	250.04	134.58	6.07	1193.77

Type of Restructuring		Others					Total				
Asset Classification		Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total
figures)[5]	b)Other Facility	247.34	193.38	8.33	0.02	449.07	250.17	195.03	18.33	3.80	467.33
	Provision thereon	70.02	5.25	0.18	0.11	75.56	115.00	6.45	0.18	0.11	121.74

1 Includes accounts closed during the year on account of payment of outstanding facilities by the borrower and accounts which were not attracting higher provisioning and/or additional risk weight at the beginning of the Financial Year

2 Amount reported here represents outstanding as on 31 March, 2016

3 Amount outstanding under restructuring facilities is outstanding balance as on 31-03-2015

4 Includes sale of restructured accounts as follows:

(₹ in Crore)

	Under CDR Mechanism					Others				
	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total
No. of borrowers	-	1	1	-	2	-	1	-	-	1
Amount Outstanding (a)Restructured facility @	-	26.09	35.81	-	61.90	-	113.84	-	-	113.84
b)Other Facility @	-	17.71	4.59	-	22.30	-	40.95	-	-	40.95
Provision thereon @	-	0.27	-	-	0.27	-	1.82	-	-	1.82

@ Represents balance as on 31-03-2015

5 Other Facility include investments in Bonds/ Debentures amounting to ₹ 195.62 Crore

6 There are no SME cases which have been restructured during the year ended 31 March, 2016

Details of loan assets subjected to restructuring during the year ended 31 March, 2015:

(₹ in Crore)

Type of Restructuring		Under CDR Mechanism					Under SME Debt Restructuring Mechanism[6]				
Asset Classification		**Standard**	**Sub-Standard**	**Doubtful**	**Loss**	**Total**	**Standard**	**Sub-Standard**	**Doubtful**	**Loss**	**Total**
Restructured accounts as on April 1 of the FY (Opening Balance)	No. of borrowers	16	2	3	-	21	-	-	-	-	-
	Amount Outstanding – (a)Restructured facility	452.62	85.72	85.84	-	624.18	-	-	-	-	-
	b)Other Facility	108.85	4.67	14.59	-	128.11	-	-	-	-	-
	Provision thereon	25.51	7.93	6.91	-	40.35	-	-	-	-	-
Movement in balance for accounts appearing under opening balance[1]	No. of borrowers	-	-	-	-	-	-	-	-	-	-
	Amount Outstanding – (a)Restructured facility	42.06	(9.85)	(1.80)	-	30.41	-	-	-	-	-
	b)Other Facility	27.33	15.18	6.47	-	48.98	-	-	-	-	-
	Provision thereon	(24.13)	(7.94)	(0.01)	-	(32.08)	-	-	-	-	-
Fresh Restructuring during the year [2]	No. of borrowers	4	-	-	-	4	-	-	-	-	-
	Amount Outstanding – (a)Restructured facility	115.59	-	-	-	115.59	-	-	-	-	-
	b)Other Facility	7.45	-	-	-	7.45	-	-	-	-	-
	Provision thereon	5.90	-	-	-	5.90	-	-	-	-	-
Upgradation to restructured standard category during the FY	No. of borrowers	-	-	-	-	-	-	-	-	-	-
	Amount Outstanding – (a)Restructured facility	-	-	-	-	-	-	-	-	-	-
	b)Other Facility	-	-	-	-	-	-	-	-	-	-

Type of Restructuring		Under CDR Mechanism					Under SME Debt Restructuring Mechanism[6]				
Asset Classification		Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total
	Provision thereon	-	-	-	-	-	-	-	-	-	-
Restructured Standard Advances which cease to attract higher provisioning and/or additional risk weight at the end of FY	No. of borrowers	(5)				(5)	-				-
	Amount Outstanding – (a)Restructured facility	(82.16)				(82.16)	-				-
	b)Other Facility	(46.87)	-	-	-	(46.87)	-				-
	Provision thereon	(0.05)				(0.05)	-				-
Downgradation of restructured accounts during the FY	No. of borrowers	(1)	(1)	2	-	-	-	-	-	-	-
	Amount Outstanding – (a)Restructured facility	(26.09)	(49.78)	75.87	-	-	-	-	-	-	-
	b)Other Facility	(17.71)	(2.14)	19.85	-	-	-	-	-	-	-
	Provision thereon	(0.27)	0.27	-	-	-	-	-	-	-	-
Write-offs/ Sale of restructured accounts during the FY[3,4]	No. of borrowers	(1)	-	(2)	-	(3)	-	-	-	-	-
	Amount Outstanding – (a)Restructured facility	(32.17)	-	(54.56)	-	(86.73)	-	-	-	-	-
	b)Other Facility	(4.94)	-	(19.26)	-	(24.20)	-	-	-	-	-
	Provision thereon	-	-	(2.19)	-	(2.19)	-	-	-	-	-
Restructured accounts as on March 31 of the FY (closing	No. of borrowers	13	1	3	-	17	-	-	-	-	-
	Amount Outstanding – (a)Restructured	469.85	26.09	105.35	-	601.29	-	-	-	-	-

Type of Restructuring		Under CDR Mechanism					Under SME Debt Restructuring Mechanism[6]				
Asset Classification		Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total
figures)[5]	facility										
	b)Other Facility	74.11	17.71	21.65	-	113.47	-	-	-	-	-
	Provision thereon	6.96	0.26	4.71	-	11.93	-	-	-	-	-

(₹ in Crore)

Type of Restructuring		Others					Total				
Asset Classification		Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total
Restructured accounts as on April 1 of the FY (Opening Balance)	No. of borrowers	368	52	127	91	638	384	54	130	91	659
	Amount Outstanding – (a)Restructured facility	1323.52	20.38	90.85	2.50	1437.25	1776.14	106.10	176.69	2.50	2061.43
	b)Other Facility	1105.49	13.57	31.33	-	1150.39	1214.34	18.24	45.92	-	1278.50
	Provision thereon	35.52	3.13	1.08	0.16	39.89	61.03	11.06	7.99	0.16	80.24
Movement in balance for accounts appearing under opening balance [1]	No. of borrowers	(40)	4	(25)	(1)	(62)	(40)	4	(25)	(1)	(62)
	Amount Outstanding – (a)Restructured facility	(66.31)	6.78	(7.41)	(0.17)	(67.11)	(24.25)	(3.07)	(9.21)	(0.17)	(36.70)
	b)Other Facility	37.18	6.31	(21.63)	0.19	22.05	64.51	21.39	(15.06)	0.19	71.03
	Provision thereon	(17.83)	(2.91)	(0.87)	(0.08)	(21.69)	(41.96)	(10.85)	(0.88)	(0.08)	(53.77)
Fresh Restructuring during the year[2]	No. of borrowers	158	-	-	-	158	162	-	-	-	162
	Amount Outstanding – (a)Restructured facility	204.27	-	-	-	204.27	319.86	-	-	-	319.86
	b)Other Facility	46.26	-	-	-	46.26	53.71	-	-	-	53.71
	Provision thereon	4.17	-	-	-	4.17	10.07	-	-	-	10.07

Type of Restructuring		Others					Total				
Asset Classification		Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total
Upgradation to restructured standard category during the FY	No. of borrowers	16	(12)	-	(4)	-	16	(12)	-	(4)	-
	Amount Outstanding – (a)Restructured facility	16.62	(13.86)	(2.59)	(0.17)	-	16.62	(13.86)	(2.59)	(0.17)	-
	b)Other Facility	9.68	(9.68)	-	-	-	9.68	(9.68)	-	-	-
	Provision thereon	0.02	(0.02)	0.01	(0.01)	-	0.02	(0.02)	0.01	(0.01)	-
Restructured Standard Advances which cease to attract higher provisioning and/or additional risk weight at the end of FY	No. of borrowers	(208)				(208)	(213)				(213)
	Amount Outstanding – (a)Restructured facility	(169.49)				(169.49)	(251.65)				(251.65)
	b)Other Facility	(130.69)				(130.69)	(177.56)				(177.56)
	Provision thereon	(4.43)				(4.43)	(4.48)				(4.48)
Downgradation of restructured accounts during the FY	No. of borrowers	(28)	(8)	16	20	-	(29)	(9)	18	20	-
	Amount Outstanding – (a)Restructured facility	(29.20)	17.19	11.51	0.50	-	(55.29)	(32.59)	87.38	0.50	-
	b)Other Facility	(5.19)	(4.80)	9.99	-	-	(22.90)	(6.94)	29.84	-	-
	Provision thereon	(1.44)	1.26	0.16	0.02	-	(1.71)	1.53	0.16	0.02	-
Write-offs/ Sale of restructured accounts during the FY[3,4]	No. of borrowers	(2)	(2)	(34)	(20)	(58)	(3)	(2)	(36)	(20)	(61)
	Amount Outstanding – (a)Restructured	(0.18)	(1)	(52.57)	(0.99)	(54.74)	(32.35)	(1)	(107.13)	(0.99)	(141.47)

Type of Restructuring		Others					Total				
Asset Classification		Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total
	facility										
	b)Other Facility	-	-	(5.38)	(0.19)	(5.57)	(4.94)	-	(24.64)	(0.19)	(29.77)
	Provision thereon	-	-	-	-	-	-	-	(2.19)	-	(2.19)
Restructured accounts as on March 31 of the FY (closing figures)[5]	No. of borrowers	264	34	84	86	468	277	35	87	86	485
	Amount Outstanding – (a)Restructured facility	1279.23	29.49	39.79	1.67	1350.18	1749.08	55.58	145.14	1.67	1951.47
	b)Other Facility	1062.73	5.40	14.31	-	1082.44	1136.84	23.01	36.06	-	1195.91
	Provision thereon	16.01	1.46	0.38	0.09	17.94	22.97	1.72	5.09	0.09	29.87

1 Includes accounts closed during the year on account of payment of outstanding facilities by the borrower and accounts which were not attracting higher provisioning and/or additional risk weight at the beginning of the Financial Year

2 Amount reported here represents outstanding as on 31 March, 2015

3 Amount outstanding under restructuring facilities is outstanding balance as on 31-03-2014

4 Includes sale of restructured accounts as follows:

(₹ in Crore)

	Under CDR Mechanism					Others				
	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total
No. of borrowers	1	-	2	-	3	-	-	-	1	1
Amount Outstanding (a)Restructured facility @	38.11	-	27.64	-	59.82	-	-	-	5.83	5.83
b)Other Facility @	4.94	-	19.08	-	24.02	-	-	-	4.51	4.51
Provision thereon @	-	-	2.19	-	2.19	-	-	-	-	-

@ Represents balance as on 31-03-2014

5 Other Facility include investments in Bonds/ Debentures amounting to ₹ 45.03 Crore.

6 There are no SME cases which have been restructured during the year ended 31 March, 2015

1.6.10 **Details of financial assets sold to Securitisation / Reconstruction companies for Asset Reconstruction:**

(₹ in Crore)

Particulars	31 March 2016		31 March 2015	
	Standard	NPA	Standard	NPA
(a) No of accounts	2	55	3	82
(b) Aggregate value (net of provision) of accounts sold to SC/RC	51.10	343.46	38.06	87.94
(c) Aggregate consideration	51.10	221.32	41.88	96.93
(d) Additional consideration realised in respect of accounts transferred in earlier years	-	-	-	-
(e) Aggregate gain/(loss) over net book value	-	(122.14)	3.82	2.36

During the year ended March 31,2016, the Bank had assigned certain Non performing financial assets to Asset Reconstruction Companies. In terms of RBI Master Circular DBR.No.BP.BC.2/21.04.048/2015-16 on Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances dated July 1, 2015, the shortfall arrived at by deducting sale consideration from the Net Book value of the financial assets, amounting to ₹ 122.14 Crore, is amortised over a period of two years. Accordingly, the bank has charged to the profit and loss account an amount of ₹ 35.41 Crore during the year ended March 31,2016 (Previous Year :Nil) and the balance of ₹ 86.73 Crore will be amortised over the next four quarters.

1.6.11 Details of Investments held as Security Receipts received by sale of NPA to Securitisation/Reconstruction Companies as at 31 March, 2016 and 31s March, 2015 are as follows: (₹ in Crore)

Particulars	Backed by NPAs sold by the bank as underlying		Backed by NPAs sold by other banks/ financial institutions/ non-banking financial companies as underlying		Total	
	As at 31 March, 2016	As at 31 March, 2015	As at 31 March, 2016	As at 31 March, 2015	As at 31 March, 2016	As at 31 March, 2015
Book value of investments in security receipts	563.23	410.24	-	-	563.23	410.24

Note: In addition to above, bank holds security receipts of ₹ 76.10 Crore (Previous Year : ₹ 32.67 Crore) which are backed by standard assets sold by the bank.

1.6.12 **Details of non-performing financial assets purchased/sold**

A. Details of non-performing financial assets purchased:

(₹ in Crore)

Particulars	31st March 2016	31st March 2015
1. (a) No. of accounts purchased during the year	NIL	NIL
(b) Aggregate outstanding		
2. (a) Of these, number of accounts restructured during the year		
(b)Aggregate outstanding		

B. Details of non-performing financial assets sold:

(₹ in Crore)

Particulars	31st March 2016	31st March 2015
1.No of Accounts sold	NIL	NIL
2. Aggregate outstanding		
3.Aggregate consideration received		

1.6.13 During the year ended 31March, 2016 and 31 March, 2015 there are no unsecured advances for which intangible securities such as charge over the rights, licences, authority etc. has been taken as collateral by the Bank.

1.6.14 Movement in technical/prudential Written off accounts is set out below:

(₹in Crore)

Particulars	**31.03.2016**	**31.03.2015**
Opening balance at the beginning of the year	**1378.48**	**1225.20**
Add: Technical write-offs during the year	448.48	225.10
Sub Total (A)	**1826.96**	**1450.30**
Less: Reduction due to recovery made from previously technical/prudential written-off accounts during the year	33.51	55.87
Less: Sacrifice made from previously technical/prudential written-off accounts during the year	1.04	15.95
Sub Total (B)	**34.55**	**71.82**
Closing balance at the end of the year (A-B)	**1792.41**	**1378.48**

1.7. **Asset Liability Management**

A maturity pattern of certain items of assets and liabilities at 31 March, 2016 and 31 March, 2015 is set out below:

Year ended 31 March, 2016

(₹ in Crore)

Maturity Pattern	Deposits	Advances	Investments	Borrowings	Foreign Currency Assets	Foreign Currency Liabilities
Day 1	393.88	890.51	-	299.79	211.77	555.07
2 -7 days	798.44	1123.87	2070.36	866.63	1099.85	15.94
8-14 days	747.78	1223.87	459.14	-	6.72	11.68
15-28 days	1608.96	506.28	338.60	-	40.52	20.63
29 days to 3 months	5451.07	3114.63	1374.29	86.85	320.01	119.31
Over 3months and upto 6 months	5609.57	5032.02	1311.73	256.11	847.54	186.52
Over 6 months and upto 1 Year	15635.80	7301.15	1011.78	402.44	344.40	439.00
Over 1 Year and upto 3Years	31273.85	26752.36	2980.65	259.86	82.25	831.60
Over 3 Years and upto 5 Years	1064.70	6302.60	2207.36	4.89	139.53	284.80
Over 5 Years	16587.66	5842.86	10463.58	-	22.71	0.53
Total	**79171.71**	**58090.15**	**22217.49**	**2176.57**	**3115.30**	**2465.08**

Year ended 31 March, 2015

(₹ in Crore)

Maturity Pattern	Deposits	Advances	Investments	Borrowings	Foreign Currency Assets	Foreign Currency Liabilities
Day 1	298.30	1556.20	-	280.98	238.63	354.40
2 -7 days	1039.82	1375.49	2305.79	318.12	625.00	13.74
8-14 days	850.93	1275.35	-	-	3.81	29.23
15-28 days	1708.61	658.07	196.37	-	1.56	40.17
29 days to 3 months	5744.08	4305.36	1274.94	31.25	540.47	241.75
Over 3months and upto 6 months	6652.70	3919.79	105.64	419.10	509.96	356.42
Over 6 months and upto 1 Year	12905.99	6089.94	477.51	369.14	346.96	407.68
Over 1 Year and upto 3Years	25950.78	25407.13	234.67	829.86	90.35	417.70
Over 3 Years and upto 5 Years	1397.88	3412.41	753.30	59.79	42.59	537.53
Over 5 Years	14275.90	3285.25	15220.60	-	15.15	0.32
Total	**70824.99**	**51284.99**	**20568.82**	**2308.24**	**2414.48**	**2398.94**

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.

1.8. Exposures

1.8.1 Exposure to Real Estate Sector

(₹ in Crore)

Category	2015-16	2014-15
a) Direct Exposure:		
(i) Residential Mortgages:- Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented; (of which individual housing loans eligible for inclusion in Priority sector advances)	7876.22 (3166.43)	6949.74 (3225.38)
(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;	1738.94	1345.27
(iii) Investments in Mortgage Backed Securities (MBS) and other securitised exposures –		
a. Residential	Nil	Nil
b. Commercial Real Estate	Nil	Nil
b) Indirect Exposure:		
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	3126.82	2270.37
Total Exposure to Real Estate sector	**12741.98**	**10565.38**

1.8.2 **Exposure to Capital Market**

(₹in Crore)

Category	31 March, 2016	31 March, 2015
(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;	163.70	157.42
(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;	0.09	0.29
(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;	0.15	0.15
(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;	-	0.03
(v) secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	18.84	60.03
(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)	38.12	39.23
Total Exposure to Capital Market	**220.90**	**257.15**

1.8.3 Risk Category wise Country Exposure

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

(₹ in Crore)

Risk Category*	Exposure (net) as at 31 March 2016	Provision held as at 31 March 2016	Exposure (net) as at 31 March 2015	Provision held as at 31 March 2015
Insignificant	878.63	-	760.72	-
Low	636.40	-	746.92	-
Moderate	47.95	-	256.23	-
High	4.17	-	7.84	-
Very High	1.06	-	1.23	-
Restricted	0.00	-	0.00	-
Off-credit	0.00	-	0.00	-
Total	**1568.21**	-	**1772.94**	-

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

1.8.4 Information on Concentration of deposits:

(₹ in Crore)

	31 March, 2016	31 March, 2015
Total Deposits of Twenty Largest depositors	2318.46	3220.76
Percentage of Deposits of twenty largest depositors to total deposits of the bank	2.93%	4.55%

Note: Exclude holders of certificate of deposits

1.8.5 Information on Concentration of advances:

(₹ in Crore)

	31 March, 2016	31 March, 2015
Total advances to Twenty Largest Borrowers	11514.35	7218.59
Percentage of advances to twenty largest Borrowers to total advances of the bank	16.29%	10.51%

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

1.8.6 Information on Concentration of exposure:

(₹ in Crore)

	31 March, 2016	31 March, 2015
Total exposures to Twenty Largest borrowers/customers	12863.21	7666.50
Percentage of exposures to twenty largest borrowers/customers to total exposure of the bank on borrowers/customers	16.93%	10.06%

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

The bank has compiled the data for the purpose of disclosure in Note No. 1.8.4 to 1.8.6 from its internal MIS system and has been furnished by the management, which has been relied upon by the auditors

1.8.7 **Information on Concentration of NPAs:**

(₹ in Crore)

	31 March, 2016	31 March, 2015
Total exposures to top four NPA accounts	266.95	247.85

1.8.8. During the year ended 31 March, 2016 and 31 March, 2015, the Bank's credit exposure to single borrower and group borrowers was within the prudential exposure limits prescribed by RBI.

1.8.9 **Sector wise advances and NPA**

The details of Sector-wise Gross Advances and Gross NPAs as at March 31,2016 and March 31,2015 are given below:

(₹ in Crore)

Sl. No.	Sector*	31 March, 2016			31 March, 2015		
		Gross Advances	Gross NPAs	% of Gross NPAs to Gross Advances in that sector	Gross Advances	Gross NPAs	% of Gross NPAs to Gross Advances in that sector
A	**Priority Sector**						
1.	Agriculture and allied activities	8225.24	139.31	1.69	6313.57	126.23	2.00
2.	Advances to industries sector eligible as priority sector lending	2346.22	168.45	7.18	3479.02	88.46	2.54
	Of which: *Food processing*	-	-	-	*1216.99*	*3.23*	*0.27*
	Basic Metal	*331.61*	*58.75*	*17.72*	*391.63*	*34.32*	*8.76*
	Infrastructure	*210.98*	*28.14*	*13.34*	*238.52*	*2.62*	*1.10*
3.	Services	4615.89	195.55	4.24	3737.49	159.17	4.26
	Of which: *Trade*	*1918.70*	*136.79*	*7.13*	*2193.63*	*129.85*	*5.92*
	Professional Services	*863.00*	*23.10*	*2.68*	*1010.63*	*8.68*	*0.86*
4.	Personal loans	-	-	-	-	-	-
5.	Others	3631.77	170.58	4.70	4071.93	116.45	2.86
	Sub-total (A)	**18819.12**	**673.89**	**3.58**	**17602.01**	**490.31**	**2.79**
B	**Non Priority Sector**						
1.	Agriculture and allied activities	-	-	-	-	-	-

Sl. No.	Sector*	31 March, 2016			31 March, 2015		
		Gross Advances	Gross NPAs	% of Gross NPAs to Gross Advances in that sector	Gross Advances	Gross NPAs	% of Gross NPAs to Gross Advances in that sector
2.	Industry	8074.66	510.66	6.32	9249.22	345.07	3.73
	Of which : *Basic Metal*	*1064.76*	*175.78*	*16.51*	*1235.49*	*108.70*	*8.80*
	Infrastruture	*3450.93*	*93.29*	*2.70*	*4293.04*	*41.02*	*0.96*
	Food Processing	*126.56*	*7.70*	*6.08*	*704.51*	*-*	*-*
3.	Services	16741.49	366.31	2.19	13030.11	148.28	1.14
	Of which: *Trade*	*3343.24*	*205.20*	*6.14*	*1777.12*	*106.51*	*5.99*
	Professional Services	*2864.77*	*77.34*	*2.70*	*2782.02*	*24.71*	*0.89*
	NBFCs	*3758.05*	*-*	*-*	*2919.85*	*-*	*-*
4.	Personal loans	52.36	2.64	5.04	41.82	2.18	5.21
5.	Others	15103.01	114.27	0.76	12028.21	71.89	0.60
	Sub-total (B)	**39971.52**	**993.88**	**2.49**	**34349.36**	**567.42**	**1.65**
	Total (A+B)	**58790.64**	**1667.77**	**2.84**	**51951.37**	**1057.73**	**2.04**

*Classification into sectors/subsectors as above has been done based on Bank's internal norms.

1.8.10 Details of Intra-Group Exposure

(₹ in Crore)

Sl. No.	Particulars	31March 2016	31March 2015
1	Total amount of intra-Group exposure*	758.91	648
2	Total amount of top-20 intra group exposure*	758.91	648
3	Percentage of intra group exposures to total exposure of the bank to borrowers/ customers *(%)	0.998%	0.85%
4	Details of breach of limits on intra-group exposures and regulatory action thereon, if any	NIL	NIL

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

1.8.11 Transfers to Depositor Education and Awareness Fund (DEAF)

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 DEAF. Details of amounts transferred to DEAF are set out below:

(₹ in Crore)

Particulars	31 March, 2016	31 March, 2015
Opening balance of amounts transferred to DEAF	66.80	-
Add: Amounts transferred to DEAF during the year	12.65	67.80
Less: Amounts reimbursed by DEAF towards claims	2.12	1.00
Closing balance of amounts transferred to DEAF	77.33	66.80

1.9. Details of Penalty imposed by RBI

(₹ in Lakhs)

Particulars	2015-16	2014-15
Penalty for certain operating deficiencies	0.16	0.55
Dates of Payment	Various dates	Various dates

Note : Penalty was imposed by RBI :

(a) as per the Central office master circular DCM(FNVD) No.776/16.01.15/2015-16 dated August 26, 2015 and

(b)Fake Indian Currency Note (FICN) detected in the soiled note remittance.

1.10. **Disclosure of customer complaints**

	Particulars	31 March, 2016	31 March, 2015
(a)	No. of complaints pending at the beginning of the year	62	69
(b)	No. of complaints received during the year	3549	4201
(c)	No. of complaints redressed during the year	3569	4208
(d)	No. of complaints pending at the end of the year	42	62

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

1.11. **Disclosure of Awards passed by the Banking Ombudsman**

		31 March, 2016	31 March, 2015
(a)	No. of unimplemented awards at the beginning of the year	1@	1@
(b)	No. of awards passed by the Banking Ombudsman	1	-
(c)	No. of awards implemented during the year	1	-
(d)	No. of unimplemented awards at the end of the year	1@	1@

@ Appeal rejected by Appellate Authority, case filed in High Court and stay obtained

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

1.12. **Draw Down from Reserves**

The Bank has drawn down ₹ 8.21 Crore from Investment Reserve Account in accordance with the provisions of RBI guidelines on 'Prudential Norms for Classification, Valuation and Operation of Investment Portfolio by Banks. There has been no draw down from Reserves during the year ended 31 March, 2015.

1.13. **Letter of Comfort**

The Bank has not issued any letters of comfort (LoC) on behalf of its subsidiaries during the year ended 31st March, 2016 and 31st March, 2015.

1.14. **Bancassurance Business**

Details of income earned from bancassurance business:

(₹ in Crore)

Sl. No.	Nature of Income *	31March 2016	31March 2015
1	For selling life insurance policies	28.39	20.29
2	For selling non-life insurance policies	6.51	2.09
3	For selling mutual fund products	1.48	0.97
4	Others	1.31	3.36

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

1.15. **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.

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

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

(₹ in Crore)

Particulars	31 March 2016	31 March 2015
Total Assets	293.25	-
Total NPAs	-	-
Total Revenue	1.20	-

1.17 **Securitisation Transactions**

The Bank has not done any securitisation transactions during the year ended 31 March, 2016 and 31 March, 2015.

1.18 **Disclosures on Remuneration**

(i) Qualitative disclosures

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

The Remuneration Committee of the Board oversees the framing, review and implementation of the compensation policy of the Bank, on behalf of the Board.

This committee works in coordination with Risk Management Committee of the Bank, in order to achieve effective alignment between risk and remuneration.

As on 31 March, 2016, the remuneration committee of the Board comprises of the following Independent Directors:

- Shri Sudhir M Joshi - Chairman
- Shri Nilesh S Vikamsey
- Shri K.M Chandrasekhar

The above committee of the Board functions with the following objectives:

a) To review the Compensation package for the MD and CEO and Executive Directors and recommend revisions for Board approval

b) To consider and approve issuance and allotment of ESOS shares to MD/EDs and employees of the Bank.

c) To develop and implement an effective compensation policy, as per RBI guidelines

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

The compensation payable to MD & CEO, EDs and Senior Executives is divided into fixed and variable components. The fixed compensation is determined based on the industry standards, the exposure, skill sets, talent and qualification attained by the official over his/her career span etc. Approval from RBI is obtained to decide fixed compensation for MD & CEO and EDs.

The variable compensation for MD & CEO and senior executives (Non – IBA package i.e. CGM and above) are determined based on Bank's performance and Key Performance Areas (KPA) set for the official. KPAs contain targets on risk adjusted metrics such as Risk Adjusted Return on Capital (RAROC), Risk

Adjusted Return on Risk Adjusted Capital (RARORAC), in addition to target on NPAs.

The objectives of the remuneration policy are four fold:

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

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 four categories

MD & CEO / ED

Senior Executives (Non IBA package)

Senior Executives (On IBA package)

Other members of staff (on IBA package)

Limit on variable pay

The variable compensation offered to an official would not exceed 70% of the total fixed compensation

Severance pay and guaranteed bonus

Severance pay (other than gratuity or terminal entitlements or as entitled by statute) is not paid to any official of the organization

Sign on bonus or joining bonus is limited to the first year and is paid only as Employee stock options

Hedging

No compensation scheme or insurance facility would be provided by the Bank to employees to hedge their compensation structure to offset the risk alignment mechanism (deferral pay and clawback arrangements) embedded in their compensation arrangement

Compensation Recovery policy

A claw back arrangement or a compensation recovery policy is provided, which will entail the Bank to recover proportionate amount of variable compensation paid to the above 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 claw back arrangement would be valid for a period of three years from the date of payment of variable compensation.

Committees to mitigate risks caused by an individual decision

In order to further balance the impact of market or credit risks caused to the organization 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’ exposure to liquidity risk are also monitored by ALCO.

Integrated Risk Management Department (IRMD)

In order to effectively govern the compensation structure, IRMD would assist the Remuneration Committee of the Board to monitor, review and control various risks and balance prudent risk taking with the compensation paid out to top executives and other employees.

Compensation of risk control staff

The total fixed and variable compensation paid out to the employees of IRMD are independent of business parameters and rendering of effective support to the Remuneration Committee of the Board. The variable compensation component (Performance Linked Incentive or PLI) will be subjected to a minimum and greater proportion of compensation will be fixed in nature to ensure autonomy and independence from business goals

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

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

Compensation paid to Senior executives and other staff members on IBA package

The compensation paid to other officials that include Award staff, Officers coming under Scale I to III and Senior executives coming under Scale IV to VII is fixed based on the periodic industry level settlements with Indian Banks Association. The variable compensation paid to these functionaries is based on the Performance Linked incentive scheme which has been formulated on the basis of performance parameters set in Performance Management System

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

Deferred compensation and Performance Linkage

In the event variable compensation paid to MD & CEO, ED and Senior Executives (Non-IBA) exceeds more than 50% of the fixed compensation for the year on account of high level of Bank's performance, 60% of the variable pay so entitled to the official will be deferred for payment over a period of 3 years. The amount is parked in an escrow account and the payment will be made in the ratio of 20:30:50 over a period of three years, i.e.,

- 20 % of the deferred compensation will be paid in the first year
- 30% of the deferred compensation in the second year; and
- 50 % of the deferred compensation in the third year

Clawback and deferral arrangements

The provisions of clawback and deferral arrangements are applicable to the referred functionaries and all employees in the event their variable compensation exceeds 50 % of their fixed emoluments

f) Description of the different forms of variable remuneration

Bank uses an optimum mix of cash, ESOPS and variable PLI to decide the compensation of employees in all categories. The distribution of ESOPS and variable PLI 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. The Officers in Scale I-III as well as Award staff come under the purview of IBA package that is as per the Industry wide settlements. Variable compensation, ESOP, is linked with seniority in these levels.

(ii) Quantitative disclosures

			31 March, 2016	**31 March, 2015**
(a)	Number of meetings held by the Remuneration Committee during the financial year and remuneration paid to its members.		8 ₹ 7,20,000	4 ₹ 2,30,000
(b)	(i)	Number of employees having a variable remuneration award during the financial year.	4	3
	(ii)	Number and total amount of sign-on awards made during the financial year.	Nil	Nil
	(iii)	Details of guaranteed bonus, if any, paid as joining / sign on bonus	Nil	Nil
	(iv)	Details of severance pay, in addition to accrued benefits, if any.	Nil	Nil
(c)	(i)	Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms	Nil	Nil
	(ii)	Total amount of deferred remuneration paid out in the financial year.	Nil	Nil
(d)	Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred (₹ in Crore)		2.30(Fixed) 0.46(Variable)	1.51(Fixed) 0.34(Variable)
(e)	Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and / or implicit adjustments.		Nil	Nil

1.19 **Unhedged Foreign Currency Exposure**

The Bank has in place a policy on managing credit risk arising out of unhedged foreign currency exposures of its borrowers. The objective of this policy is to maximize the hedging on foreign currency exposures of borrowers by reviewing their foreign currency exposures and encouraging them to hedge the unhedged portion. The policy framework also articulates the methodologies for ascertaining the amount of unhedged foreign currency exposures, estimating the extent of likely loss, estimating the riskiness of the unhedged position and making appropriate provisions and capital charge as per extant RBI guidelines. In line with the policy, assessment of unhedged foreign currency exposure is a part of credit appraisal while proposing limits or at the review stage. Further, the bank reviews the unhedged foreign currency exposure across its portfolio on a periodic basis. The Bank maintains incremental provisions and additional capital for the unhedged foreign currency exposures of its borrowers in line with the extant RBI guidelines. The Bank has maintained ₹ 10.05 Crore (previous year ₹ 8.45 Crore) as provision and ₹ 4.66 Crore (previous year ₹ 9.49 Crore) as additional capital for computation of capital adequacy Ratio on account of the unhedged foreign currency exposures of borrowers as at March 31, 2016.

1.20 Liquidity Coverage Ratio (LCR)

a) Quantitative Disclosure

(₹ in Crore)

	Particulars	Quarter ended March 31, 2016		Quarter ended December 31, 2015		Quarter ended September 30, 2015		Quarter ended June 30, 2015		Quarter ended March 31, 2015	
		Total Unweighted Value	Total Weighted Value	Total Unweighted Value	Total Weighted Value	Total Unweighted Value	Total Weighted Value	Total Unweighted Value	Total Weighted Value	Total Unweighted Value (average)	Total Weighted Value (average)
High Quality Liquid Assets											
1	Total High Quality Liquid Assets (HQLA)		**10021.22**		**10798.80**		**10402.20**		**10719.66**		**7485.40**
Cash Outflows											
2	Retail deposits and deposits from small business customers, of which:	75103.22	5853.20	72453.07	5642.27	70732.16	5511.56	68314.83	5336.88	62865.40	4848.03
(i)	Stable deposits	33142.47	1657.12	32060.70	1603.03	31233.19	1561.66	29891.97	1494.60	28770.18	1438.51
(ii)	Less stable deposits	41960.75	4196.08	40392.37	4039.24	39498.97	3949.90	38422.86	3842.28	34095.22	3409.52
3	Unsecured wholesale funding, of which:	1443.23	661.14	925.29	455.64	1361.33	730.76	1626.64	1027.77	2736.54	1455.37
(i)	Operational deposits (all counterparties)	116.80	22.80	106.59	22.99	100.89	22.11	91.83	20.69	84.68	19.31
(ii)	Non-operational deposits (all counterparties)	1308.38	620.29	768.70	382.65	1260.44	708.65	1501.48	973.75	2651.86	1436.06
(iii)	Unsecured debt	18.05	18.05	50.00	50.00	-	-	33.33	33.33	-	-
4	Secured wholesale funding		-		-		-		-		-
5	Additional requirements, of which	174.30	174.30	268.55	268.55	269.69	269.69	245.57	245.57	129.77	129.77
(i)	*Outflows related to derivative exposures and other collateral requirements*	174.30	174.30	268.55	268.55	269.69	269.69	245.57	245.57	129.77	129.77

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	Particulars	Quarter ended March 31, 2016		Quarter ended December 31, 2015		Quarter ended September 30, 2015		Quarter ended June 30, 2015		Quarter ended March 31, 2015	
		Total Unweighted Value	Total Weighted Value	Total Unweighted Value	Total Weighted Value	Total Unweighted Value	Total Weighted Value	Total Unweighted Value	Total Weighted Value	Total Unweighted Value (average)	Total Weighted Value (average)
(ii)	*Outflows related to loss of funding on debt products*	-	-	-	-	-	-	-	-	-	-
(iii)	*Credit and liquidity facilities*	-	-	-	-	-	-	-	-	-	-
6	Other contractual funding obligations	13675.42	1305.85	13403.07	1332.53	13681.08	1477.58	13996.71	1338.22	13296.53	1233.98
7	Other contingent funding obligations	5263.29	189.38	4386.47	219.32	4396.19	219.81	4248.29	212.41	4326.77	216.34
8	**TOTAL CASH OUTFLOWS**		**8183.87**		**7918.31**		**8209.40**		**8160.85**		**7883.49**
Cash Inflows											
9	Secured lending (e.g. reverse repos)	48.37	-	457.98	-	777.78	-	483.96	-	-	-
10	Inflows from fully performing exposures	1920.03	1010.02	2166.55	1133.28	2302.00	1251.00	2201.67	1134.67	1934.94	967.47
11	Other cash inflows	65.50	65.50	181.36	181.36	230.10	230.10	278.70	244.86	287.33	287.33
12	**TOTAL CASH INFLOWS**	**2033.90**	**1075.52**	**2805.89**	**1314.64**	**3309.88**	**1481.10**	**2964.33**	**1379.53**	**2222.27**	**1254.80**
13	**TOTAL HQLA**		**10021.22**		**10798.80**		**10402.20**		**10719.66**		7485.40
14	**TOTAL NET CASH OUTFLOWS**		**7108.35**		**6603.67**		**6728.30**		**6781.32**		**6628.69**
15	**LIQUIDITY COVERAGE RATIO (%)**		**140.98%**		**163.53%**		**154.60%**		**158.08%**		**112.92%**

b) Qualitative Disclosure

The Bank adheres to RBI guidelines on Liquidity Coverage Ratio, Liquidity Risk Monitoring Tools and the LCR Disclosure Standards pursuant to the Basel III Framework on Liquidity Standards that are applicable to banks in India with effect from January 1, 2015. Liquidity Coverage Ratio (LCR) promotes short-term resilience of banks to potential liquidity disruptions by ensuring that they have sufficient high quality liquid assets (HQLAs) to survive an acute stress scenario lasting for 30 days. Bank is computing LCR on a monthly basis and has consistently maintained LCR above 100% during Fiscal 2016, as against the regulatory minimum of 60% (till December 2015)/ 70% (from January 2016). Bank has not computed LCR separately for any foreign currency since the aggregate liabilities denominated in any foreign currency doesn't amount to 5 percent or more of the Bank's total liabilities.

On an average, 85% of the HQLA maintained by the Bank comprises of Level 1 assets which is the most liquid asset category. Cash in hand, excess CRR and SLR, G-Sec within mandatory SLR requirement permitted by RBI under MSF (presently 2% of NDTL) and facility to avail liquidity ratio (8% of NDTL) constitutes Level 1 HQLA. Level 2 Assets maintained by the Bank comprises of (a) marketable securities representing claims on or claims guaranteed by sovereigns, Public Sector Entities (PSEs) or multilateral development banks that are assigned a 20% risk weight under the Basel III Standardized Approach for credit risk and that are not issued by a bank/financial institution/NBFC or any of its affiliated entities and (b) Corporate bonds, not issued by a bank/financial institution/NBFC or any of its affiliated entities, which have been rated BBB- or above by an Eligible Credit Rating Agency. HQLA is also well diversified across various instruments and liquid asset types and should provide the Bank with adequate and timely liquidity.

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

The liquidity risk management in the Bank is guided by the ALM Policy. Asset Liability Management Committee (ALCO) is the executive level committee responsible for ALM process in the Bank. Bank's liquidity management is actively done by the Treasury department as per the directions of ALCO. Integrated Risk Management Department actively monitors the liquidity position of the Bank and apprises 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.

1.21 **Provisioning Pertaining to Fraud Accounts**

The Bank has reported 65 cases (Previous year : 55 cases) of fraud in the Financial year ended 31 March, 2016 amounting to ₹ 82.07 Crore (Previous Year: 81.78 Crore) and has provided for the same in the books of account. Bank does not have any unamortised loss in this regard as of March 31, 2016.

1.22 **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, 2016 was ₹ 1254.98 Crore (Previous Year: Nil).

2. Other Disclosures

2.1. Earnings per Share ('EPS')

Particulars	31 March 2016	31 March 2015
Weighted average number of equity shares used in computation of basic earnings per share (in 000's)	17,16,993	17,13,776
Weighted average number of equity shares used in computation of diluted earnings per share (in 000's)	17,25,591	17,28,310
Nominal Value of share (in Rs)	2	2
Basic earnings per share (in Rs)	2.77	5.87
Diluted earnings per share (in Rs)	2.75	5.82
Earnings used in the computation of basic and diluted earnings per share (₹ in '000)	47,56,481	1,00,57,505

2.2 **A. Issue of Bonus Shares**

The shareholders of the Bank had approved the issue of Bonus Shares at the Annual General Meeting held on June 29, 2015, in the Ratio of 1:1 for Shares held as on the record date of July 9, 2015. Pursuant to the above 85,79,45,206 fully paid up Equity Shares had been allotted by the bank as bonus shares and One Global Depositary share (GDS) had been issued as bonus for every GDS held to the existing holders as on the record date. Consequently, as per the extant ESOS 2010 Scheme bonus options had been provided to the existing ESOS option holders and the exercise price had been adjusted accordingly. The earnings per share have been adjusted for previous year in accordance with Accounting Standard 20, Earnings per share.

B. Subscribed and paid up capital includes:

(i) 16,590 shares of ₹2/- each (Previous Year 16590 shares of ₹ 2/- each) issued for consideration other than cash

(ii) 2,80,49,968 underlying equity shares of ₹2/- each (Previous Year 1,66,66,588 of ₹2/- each) held by custodian on behalf of holders of Global Depository Receipts (GDRs)

(iii) 57, 61,133 ESOS shares of ₹2/- per share (previous year 14, 14,692 shares of ₹2/- Per share) allotted under ESOS 2010.

(iv) 85, 79, 45,206 bonus shares were issued in the ratio of 1:1 in this financial year.

C. Allotment of 6,530 shares of ₹2/- each (Previous year 6,530 shares of ₹2/- each) pertaining to the Right issue of 1993 issued at premium of ₹25/- per share and 2,62,100 shares of ₹2/- each (Previous year 2,62,100 shares of ₹2/- per share) pertaining to the Rights issue of 1996 issued at a premium of ₹140/- per Share and 10,80,415 equity shares of ₹2/- each (Previous year 10,83,415 shares of ₹2/- per share, at a premium of ₹240/- per share) pertaining to Rights issue of 2007 are kept pending following orders from various courts.

Issue of certificates/credit in demat account in respect of 4,09,170 shares of ₹ 2/- each (Previous year 4,11,940 shares of ₹ 2/- each) out of the Bonus issue of 2004 and 6,15,755 bonus shares of ₹ 2/- each, out of the Bonus issue of 2015 are kept in abeyance consequent to injunction orders from various courts.

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

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

Number of Options

	31 March, 2016	**31 March, 2015**
Outstanding at the beginning of the year	81124186	74055610
Surrendered during the year	-	-
Granted during the year*	1025000	11156450
Exercised during the year (Includes 12,90,009 (Previous Year: 13,4,412) on account of actual issue of Bonus shares	5636450	2680824
Forfeited/lapsed during the year	325590	1407050
Outstanding at the end of the year	7,61,87,146	81124186
Options exercisable	52727176	40974066

* ESOS granted on 18th September, 2015 and 16th November 2015 with vesting period of 1, 2, 3 and 4 years. Exercise period of 5 years and exercise price of ₹ 60.35/- per share and ₹ 53.70 per share, respectively.

As per SEBI guidelines the accounting for ESOS can be done either under the 'Intrinsic value basis' or 'Fair value basis'.

The Compensation Committee in their meeting dated 10th May, 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 24 December, 2010

The exercise price of the options granted is the same as the market price on the date prior to grant date and hence there is no intrinsic value for the options, which has to be amortized over the vesting period. If "Fair Value Method" had been adopted based on "Black-Scholes pricing model" for pricing and accounting of options, net profit would be lower by ₹ 19.83 Crore (Previous Year: ₹ 25.42Crore)

The modified basic and diluted earnings per share for the year, had the company followed Fair Value Method of accounting for ESOS compensation cost would be ₹ 2.65 and ₹ 2.63 (Previous Year: ₹ 5.87 and ₹ 5.82) respectively.

ii) **Dividend paid on shares issued on exercise of stock option**

The Bank may allot shares between the Balance Sheet date and record date for the declaration of dividend pursuant to the exercise of any employee stock options. These shares will be eligible for full dividend for the year ended 31 March 2016, if approved at the ensuing Annual General Meeting. Dividend relating to these shares has not been recorded in the current year.

iii) Dividend (Including tax/cess thereon) appropriation of ₹ 0.15 Crore represent dividend for Financial Year 2014-15 on the shares issued under Employee Stock Options Scheme before the record date, as per shareholders approval.

2.3. **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 and corporate debt instruments, equity and mutual funds, derivative trading and foreign exchange operations on proprietary account and for customers.

The income of this segment primarily consists of earnings from the investment portfolio of the bank, gains and losses on trading operations. The principal expense of the segment consists of interest expense on funds borrowed/utilized and other allocated overheads.

Corporate/Wholesale Banking:

This segment provides loans and other banking services to Corporate and other clients where value of individual exposure to the Clients exceeds ₹ 5 Crore as defined by RBI. Revenue of this segment consists of interest and fees earned on loans to such customers and charges and fees earned from other banking services. Expenses of this segment primarily consist of interest expense on funds utilized and allocated overheads

Retail banking:

Retail banking constitutes lending and other banking services to individuals/small business customers, other than corporate/wholesale banking customers, identified on the basis of RBI guidelines.

Revenue of this segment consists of interest earned on loans made to such customers and charges / fees carried from other banking services to them. The principal expenses of the segment consist of interest expenses on funds borrowed and other expenses.

Other Banking Operations

This segment includes parabanking activities like third party product distribution and otherbanking transactions, not covered under any of the above segments. The income from such services and associated costs are disclosed in this segment.

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

As on 31 March 2016:

(₹ in Crore)

Business Segments	Treasury	Corporate/ Whole sale Banking	Retail Banking	Other Banking Operations	Total
Revenue	2281.93	2360.94	3809.64	78.56	8531.07
Result (net of provisions)	158.51	18.14	494.59	73.85	745.09
Unallocated expense					(25.44)
Operating profit (PBT)					719.65
Income taxes					(244.00)
Extraordinary profit/loss					-
Net Profit					475.65
OTHER INFORMATION					
Segment Assets	30403.98	24836.67	33710.86	26.56	88978.07
Unallocated assets					2451.96
Total assets					91430.03
Segment liabilities	27894.76	23308.96	31696.05	-	82899.77
Unallocated liabilities					439.04
Total liabilities					83338.81

As on 31 March 2015

(₹ in Crore)

Business Segments	Treasury	Corporate/ Whole sale Banking	Retail Banking	Other Banking Operations	Total
Revenue	2250.27	2349.93	3577.97	119.60	8297.77
Result (net of provisions)	342.18	333.99	761.12	103.72	1541.01
Unallocated expense					(19.97)
Operating profit (PBT)					1521.04

Business Segments	Treasury	Corporate/ Whole sale Banking	Retail Banking	Other Banking Operations	Total
Income taxes					(515.29)
Extraordinary profit/loss					-
Net Profit					1005.75
OTHER INFORMATION					
Segment Assets	28815.23	20520.08	31048.89	24.32	80408.52
Unallocated assets					2441.96
Total assets					82850.48
Segment liabilities	26245.20	19181.63	29083.69	-	74510.52
Unallocated liabilities					601.82
Total liabilities					75112.34

Geographical Segment Information

The Bank reports its operations under the following geographical segments

a) Domestic Operations comprise branches in India

b) Foreign operations comprise Banking unit in International Financial Services Centre, as per para 2.2 of Annex I of RBI Circular DBR.IBD.BC 14570/23.13.004/2014-15 dated April 1, 2015.

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

As on 31 March, 2016

(₹ in Crore)

Particulars	Domestic Operations	Foreign Operations	Total
Revenue	8529.87	1.20	8531.07
Assets	91136.78	293.25	91430.03
Capital Expenditure	171.03	0.04	171.07

As on 31 March, 2015

(₹ in Crore)

Particulars	Domestic Operations	Foreign Operations	Total
Revenue	8297.77	-	8297.77
Assets	82850.48	-	82850.48
Capital Expenditure	116.82	-	116.82

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.

2.4. Related Party Disclosures

a) Details of Related Parties:

Name of the Party	Nature of Relationship
IDBI Federal Life Insurance Company Limited	Associate
FedBank Financial Services Limited	Subsidiary
Sri. Shyam Srinivasan, Managing Director & CEO	Key Management Personnel
Sri. Ashutosh Khajuria, Executive Director & CFO (From 28-01-2016)	Key Management Personnel
Sri Abraham Chacko, Executive Director (Upto 30-04-2015)	Key Management Personnel
FedBank Hormis Memorial Foundation	Entity in which KMPs can exercise significant influence

b) Significant transactions with related parties:

(₹ in Crore)

Particulars	Key Management Personnel #	
	31 March 2016	31 March 2015
Remuneration		
Sri. Shyam Srinivasan	1.12	0.78
Sri. Ashutosh Khajuria	1.02	NA
Sri Abraham Chacko	0.72	0.75
Dividend Paid	0.02	*

Asterisk denotes figures below ₹1 Lakh

During the year 2015-16: Nil (Previous Year: 641 Thousands) number of Stock Options under "ESOS 2010" Scheme were granted to Managing Director & CEO and Executive Director.

The normal transactions of the Bank with the above persons as constituents are not reckoned for the purpose of disclosure.

Note: In accordance with RBI guidelines, details pertaining to the related party transactions, other than transaction with KMPs, have not been provided as there is only one related party in each of the above categories.

2.5. Fixed Assets

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

(₹ in Crore)

Particulars	31 March, 2016	31 March, 2015
Gross Block		
At the beginning of the year	93.62	79.12

Additions during the year	49.42	14.50
Deductions during the year	-	-
Closing Balance	143.04	93.62
Depreciation / Amortisation		
At the beginning of the year	71.77	53.79
Charge for the year	21.71	17.98
Deductions during the year	-	-
Depreciation to date	93.48	71.77
Net Block	49.56	21.85

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 valuers was credited to Revaluation Reserve. There has been no revaluation of assets during this year.

2.6. **Deferred Tax Assets / Liability**

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

(₹ in Crore)

	31 March 2016	**31 March 2015**
Deferred Tax Liability		
Tax effect of items constituting deferred tax liability:		
(i) Interest accrued but not due	145.66	142.16
(ii) Depreciation on Investments	19.52	106.43
(iii) Reserve under Section 36(1)(viii) of the Income Tax Act, 1961	91.35	80.28
Total (A)	**256.53**	**328.87**
Deferred Tax Asset		
Tax effect of items constituting deferred tax assets:		
(i) Interest/premium paid on purchase of securities	90.27	78.10
(ii) Provision for Standard Assets	109.45	99.24
(iii) Depreciation on Fixed Assets	1.15	1.88
(iv) Others	111.19	108.97
Total (B)	312.06	288.19
Deferred tax liability/ (Asset) (A-B)	**(55.53)**	**40.68**
Less: Deferred tax on value of assets depreciated on expiry of useful life as on 1 April, 2014.	-	**1.19**
Net Deferred tax liability/ (Asset)	**(55.53)**	**39.49**

Net of Deferred tax of ₹ 95.02 Crore (Previous Year ₹ 244.98 Crore) credited to Profit and Loss Account

2.7. Employee Benefits

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. The Bank has no obligation other than the monthly contribution.

The Bank recognized ₹ 0.79 Crore (Previous Year: ₹ 0.30Crore) for provident fund contribution in the Profit and Loss Account.

New Pension Scheme

As per the industry level settlement dated 27th April, 2010, employees who joined the services of the Bank on or after 1st April, 2010 are not eligible for the existing pension scheme whereas they will be eligible for Defined Contributory Pension Scheme (DCPS) in line with the New Pension Scheme introduced for employees of Central Government. Employee shall contribute 10% of their Basic Pay and Dearness Allowance towards DCPS and the Bank will also make a matching contribution. There is no separate Provident Fund for employees joining on or after 01/04/2010.

The Bank recognized ₹ 18.95 Crore (Previous year: ₹13.34Crore) 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 lumpsum payment to vested employees on retirement, death, incapacitation or termination of employment, of an amount based on the respective employees' salary and the tenure of employment. Vesting occurs upon completion of five years of service as per Payment of Gratuity Act, 1972 and its amendment with effect from 24th May, 2010 or as per the provisions of the Federal Bank Employees' Gratuity Trust Fund Rules / Bi-partite Award provisions. Liabilities with regard to the Gratuity Plan are determined by Actuarial valuation as on the Balance Sheet date, based upon which, the Bank contributes all the ascertained liabilities to the Federal Bank Employees' Gratuity Trust Fund (the "Trust"). Trustees administer contributions made to the Trust and contributions are invested in specific investments as permitted by law.

Superannuation / Pension

The Bank provides for monthly pension, a defined benefit retirement plan (the "pension plan") covering eligible employees. The pension plan provides a monthly pension after retirement of the employees till death and to the family after the death of the pensioner. The monthly pension is based on the respective employees' salary and the tenure of employment. Vesting occurs upon completion of ten years of service. The Bank pays the monthly pension by purchasing annuities from Life Insurance Corporation of India (LIC). 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 (the "Trust"). Trustees administer contributions made to the Trust and contributions are invested in specific investments as permitted by law.

The following table as furnished by Actuary sets out the funded status of gratuity / pension plan and the amount recognized in the Bank's financial statements as at March 31, 2016.

i) Change in benefit obligations:

(₹ in Crore)

Particulars	Gratuity Plan		Pension Plan	
	31 March, 2016	31 March, 2015	31 March, 2016	31 March, 2015
Projected benefit obligation, beginning of the year	209.34	201.26	587.48	531.78
Service Cost	13.82	13.59	57.70	56.51
Interest cost	15.29	15.03	40.17	36.90
Actuarial (gain)/ loss	44.07	6.33	122.99	103.42
Benefits paid	(36.43)	(26.87)	(170.84)	(141.13)
Projected benefit obligation, end of the year	**246.09**	**209.34**	**637.50**	**587.48**

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

Particulars	Gratuity Plan		Pension Plan	
	31 March, 2016	31 March, 2015	31 March, 2016	31 March, 2015
Plan assets at beginning of the year at fair value	223.52	230.83	544.40	416.25
Expected return on plan assets	18.55	20.52	47.58	36.96
Actuarial gain/(loss)	(0.65)	(0.96)	(0.58)	3.56
Employer's Contributions	20.67	-	157.71	228.76
Benefits paid	(36.43)	(26.87)	(170.84)	(141.13)
Plan assets at end of the year, at fair value	225.66	223.52	578.27	544.40

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

(₹ in Crore)

Particulars	Gratuity Plan 31 March, 2016	Gratuity Plan 31 March, 2015	Pension Plan 31 March, 2016	Pension Plan 31 March, 2015
Fair value of plan assets at the end of the year	225.66	223.52	578.27	544.40
Present value of the defined benefit obligations at the end of the year	246.09	209.34	637.50	587.48
Liability/ (Asset) recognized in the Balance Sheet	20.43	(14.18)	59.23	43.08

iv) Gratuity/ pension cost for the year ended 31st March, 2016

(₹ in Crore)

Particulars	Gratuity Plan 31 March, 2016	Gratuity Plan 31 March, 2015	Pension Plan 31 March, 2016	Pension Plan 31 March, 2015
Service cost	13.82	13.59	57.70	56.51
Interest cost	15.29	15.03	40.17	36.90
Expected return on plan assets	(18.55)	(20.52)	(47.58)	(36.96)
Actuarial (gain)/loss	44.72	7.29	123.57	99.86
Employee Cost	55.28	15.39	173.86	156.31
Amortisation Cost	-	-	-	33.68
Net cost Debit to Profit and Loss account	55.28	15.39	173.86	189.99
Actual return on plan assets	17.90	19.56	47.00	40.52

v) Investment details of plan Assets

(₹in Crore)

Particulars	Gratuity Plan 31 March, 2016	Gratuity Plan 31 March, 2015	Pension Plan 31 March, 2016	Pension Plan 31 March, 2015
Central and state Government bonds	7.13	40.13	17.82	129.72
Other debt securities	16.35	27.15	66.04	79.05
Balance in Saving bank account with the Bank	0.66	2.14	3.21	56.83
Net current assets	0.82	1.89	3.18	5.88
Balance with LIC#	200.70	152.21	488.02	272.92
Total	**225.66**	**223.52**	**578.27**	**544.40**

\# In the absence of detailed information regarding plan assets which is funded with Life Insurance Corporation of India, the composition of each major category of plan assets, the percentage or amount for each category to the fair value of plan assets has not been disclosed.

vi) Experience adjustments

i) Gratuity Plan

(₹in Crore)

	31 March 2016	31 March 2015	31 March 2014	31 March 2013	31 March 2012
Defined Benefit Obligations	246.09	209.34	201.26	240.13	225.25
Plan Assets	225.66	223.52	230.83	221.67	198.87
Surplus/[Deficit]	(20.43)	14.18	29.57	(18.46)	(26.38)
Experience adjustments on Plan Liabilities [Gain / (Loss)]	(46.00)	(6.31)	(5.74)	17.02	0.03
Experience Adjustments on Plan Assets [Gain / (Loss)]	(1.97)	1.19	1.76	22.33	0.64

ii) Pension Plan

(₹in Crore)

	31 March 2016	31 March 2015	31 March 2014	31 March 2013	31 March 2012
Defined Benefit Obligations	637.50	587.48	531.78	584.12	598.76
Plan Assets	578.27	544.40	416.25	444.17	422.62
Surplus/ [Deficit]	(59.23)	(43.08)	(115.53)	(139.95)	(176.14)
Experience adjustments on Plan Liabilities [Gain / (Loss)]	(142.49)	(79.75)	(8.18)	(1.22)	450.11
Experience Adjustments on Plan Assets [Gain / (Loss)]	0.18	2.19	3.03	1.38	0.96

vii) Assumptions

Particulars	Gratuity Plan		Pension Plan	
	31 March, 2016	31 March, 2015	31 March, 2016	31 March, 2015
Discount rate	8.00%	8.00%	8.00%	8.00%
Annuity rate per Rupee	-	-	126.18297	126.18297
Salary escalation rate	5.00%	5.10%	5.00%	5.10%
Estimated rate of return on plan assets	8.30%	8.89%	8.74%	8.88%
Attrition Rate	3.00%	3.00%	3.00%	3.00%
Mortality Table	IALM 2006-08 Ultimate	IALM 2006-08 Ultimate	IALM 2006-08 Ultimate	IALM 2006-08 Ultimate

The estimates of future salary increases 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

(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 unutilized accrued compensated absence for a maximum of 240 days. The Bank records an obligation for compensated absences in the period in which the employee renders the services that increase this entitlement. The Bank measures the expected cost of compensated absence as the additional amount that the Bank expects to pay as a result of the unused entitlement that has accumulated at the balance sheet date based on actuarial valuations.

A sum of ₹ 2.72 Crore (Previous year: ₹ 8.73Crore) 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:

(₹ in Crore)

	31March 2016	**31March 2015**
Privilege leave	131.15	120.89
Sick leave	20.97	30.93
Leave Travel Concession	13.18	11.03
Casual Leave	1.09	0.82
Total actuarial liability	166.39	163.67
Assumptions		
Discount rate	8.00%	8.00%
Salary escalation rate	5.00%	5.10%
Attrition Rate	3.00%	3.00%

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.

2.8. Provisions and Contingencies

a) Movement in provision for frauds included under other liabilities:

(₹ in Crore)

	31 March 2016	**31 March 2015**
Opening balance at the beginning of the year	6.64	5.32
Additions during the year	0.42	2.30
Reductions on account of payments during the year	-	-
Reductions on account of reversals during the year	1.24	0.98
Balance at the end of the year	**5.82**	**6.64**

b) Movement in provision for debit card reward points:

(₹ in Crore)

	31 March 2016	31 March 2015
Opening provision at the beginning of the year	2.25	1.00
Provision made during the year	0.77	2.76
Reductions during the year	1.10	1.51
Closing provision at the end of the year *	**1.92**	**2.25**

* The closing provision is based on the actuarial valuation of accumulated debit card reward points. This amount will be utilised towards redemption of the debit card reward points.

c) Movement in provision for other contingencies:

(₹ in Crore)

	31 March 2016	31 March 2015
Opening provision at the beginning of the year	145.54	142.05
Provision made during the year	29.23	17.47
Reductions during the year	134.74	13.98
Closing provision at the end of the year	**40.03**	**145.54**

d) Movement in floating provisions:

(₹ in Crore)

Particulars	Standard Assets Provisions		NPA Provision	
	2015-16	2014-15	2015-16	2014-15
Opening balance	12.75	25.50	138.18	179.52
Provision made during the year	-	-	-	-
Draw down from provision*	-	12.75	69.00	41.34
Closing balance	12.75	12.75	69.18	138.18

* Floating provision has been utilised in accordance with RBI circulars DBOD.No.BP.95/21.04.048/2013-14 dated February 7, 2014 and DBR.No.BP.BC.79/21.04.048/2014-15 dated March 30, 2015.

2.9 **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 enters into Forward exchange contracts on its own account and on behalf of its customers. Forward exchange contracts are commitments to buy or sell foreign currency at a future date at the contracted rate.

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 Fund (DEAF)

Refer schedule 12 for amounts relating to contingent liability.

2.10 **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.

2.11 **Corporate Social Responsibility (CSR)**

(₹ in Crore)

Particulars	For the year ended 31st March, 2016	For the year ended 31st March, 2015
Amount required to be spent	26.18	23.83
Amount spent during the year	12.30	7.27

The Bank has spent of 0.94% of its average net profit for the last three financial years as part of its CSR activities for the year ended March 31, 2016. As a responsible Bank, it has approached the mandatory requirements of CSR spend positively by utilising the reporting year to lay a foundation on which to build and scale future projects and partnerships. The Bank is currently in the process of evaluating strategic avenues for CSR expenditure in order to deliver maximum impact. In the years to come, the Bank will further strengthen its processes as per requirement.

2.12 **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.

2.13 **Small and Micro Industries**

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

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

For and on behalf of the Board of Directors

Krishnakumar K Deputy General Manager	Girish Kumar Ganapathy Company Secretary	Ashutosh Khajuria Executive Director & CFO	Shyam Srinivasan Managing Director & CEO

Nilesh S Vikamsey
Chairman

Directors:

Sudhir M Joshi

K M Chandrasekhar

Dilip G Sadarangani

Harish H Engineer

Grace Elizabeth Koshie

Shubhalakshmi Panse

C Balagopal

Place: Kochi

Date: 30th April, 2016

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INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF THE FEDERAL BANK LIMITED

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of **THE FEDERAL BANK LIMITED** (hereinafter referred to as "the Bank" or "the Holding Company") and its subsidiary (the Bank and its subsidiary together referred to as "the Group") and its associate, comprising of the Consolidated Balance Sheet as at 31st March, 2016, the Consolidated Profit and Loss Account, the Consolidated Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated financial statements").

Management's Responsibility for the Consolidated Financial Statements

The Bank's Board of Directors is responsible for the preparation of these consolidated financial statements in terms of the requirements of the Companies Act, 2013 (hereinafter referred to as "the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group including its Associate in accordance with the accounting principles generally accepted in India, including the Accounting Standards prescribed under Section 133 of the Act, the Banking Regulation Act, 1949 and guidelines and directives issued by the Reserve Bank of India as applicable to the respective entities from time to time. The respective Board of Directors of the companies included in the Group and of its associate are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act, for safeguarding the assets of the Group and its associate and for preventing and detecting frauds and other irregularities, the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the 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 financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Bank, as aforesaid.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. While conducting the audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Bank's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Bank's Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their reports referred to in sub-paragraph (a) of the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group and its associate as at 31st March, 2016, and their consolidated profit and their consolidated cash flows for the year ended on that date.

Emphasis of Matter

Attention is drawn to Note No. 1.11 of Schedule 18 about amortising the shortfall arising from the sale of certain non-performing assets during the year ended 31st March, 2016 over a period of 2 years, in terms of RBI Master Circular DBR. No. BP.BC.2/21.04.048/2015-16 on Prudential Norms on Income Recognition, Asset Classification and Provisioning pertaining to advances, dated July 1, 2015 and the balance outstanding of such shortfall as at 31st March, 2016 of Rs. 86.73 Crore.

Our Opinion is not modified in respect of this matter.

Other Matters

a) We did not audit the financial statements of a subsidiary whose financial statements reflect total assets of Rs. 641.94 Crore as at 31st March, 2016, total revenues of Rs.89.48 Crore and net cash outflow amounting to Rs. 2.61 Crore for the year ended on that date, as considered in the consolidated financial statements. These financial statements have been audited by other auditors whose reports have been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of aforesaid subsidiary, is based solely on the report of the other auditors.

b) The consolidated financial statements also include the Group's share of net loss of Rs.1.48 Crore for the year ended 31st March, 2016, as considered in the consolidated financial statements, in respect of an associate, whose financial statements have not been audited by us. These financial statements are unaudited and have been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of this associate, is based solely on such unaudited financial statements as certified by the Management of that associate. In our opinion and according to the information and explanations given to us by the Management, these financial statements are not material to the Group.

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

Report on Other Legal and Regulatory Requirements

As required by Section 143(3) of the Act, we report, to the extent applicable, that:

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

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

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

d) In our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards prescribed under Section 133 of the Act, as applicable;

e) On the basis of the written representations received from the directors of the Bank as on 31st March, 2016 taken on record by the Board of Directors of the Bank and the reports of the statutory auditors of its subsidiary company incorporated in

India, none of the directors of the Group incorporated in India is disqualified as on 31st March, 2016 from being appointed as a director in terms of Section 164 (2) of the Act;

f) With respect to the adequacy of the internal financial controls over financial reporting and the operating effectiveness of such controls, refer to our Report in "Annexure A", which is based on the auditors' reports of the Bank and subsidiary company incorporated in India. Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the internal financial controls over financial reporting, of the Bank and Subsidiary Company, incorporated in India.

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

   i) The consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group and its associate -Refer Schedule 12 and Note No. 1.12 of Schedule 18 to the consolidated financial statements;

   ii) Provision has been made in the consolidated financial statements, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts - Refer Note No. 1.13 of Schedule 18 to the consolidated financial statements;

   iii) There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Bank and its subsidiary company incorporated in India.

For **DELOITTE HASKINS & SELLS**
Chartered Accountants
(Firm's Registration No.008072S)

M. Ramachandran
Partner
(Membership No.16399)

For **M P CHITALE & CO.**
Chartered Accountants
(Firm's Registration No. 101851W)

Sanat Ulhas Chitale
Partner
(Membership No. 143700)

KOCHI, 30^{th} April, 2016.

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

(Referred to in paragraph 1.f under 'Report on Other Legal and Regulatory Requirements of our report of even date)

Report on the Internal Financial Controls Over Financial Reporting 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 of **THE FEDERAL BANK LIMITED** (hereinafter referred to as "the Bank"), its subsidiary company and its associate company, which are companies incorporated in India, as of 31st March, 2016 in conjunction with our audit of the consolidated financial statements of the Bank for the year then ended.

Management's Responsibility for Internal Financial Controls

The respective Board of Directors of the Bank, its subsidiary company and its associate company, which are companies incorporated in India, are responsible for establishing and maintaining the internal financial controls based on the internal controls over financial reporting criteria established by the respective companies considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting ("the Guidance Note") issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013, the Banking Regulation Act, 1949 and the guidelines and directives issued by the Reserve Bank of India from time to time, as applicable.

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 issued by the Institute of Chartered Accountants of India and the Standards on Auditing, prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

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

We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditors of the Subsidiary Company incorporated in India, in terms of their report referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls system over financial reporting of the aforesaid entities.

Meaning of Internal Financial Controls Over Financial Reporting

A company'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 company'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 company; (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 company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company'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, 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 and to the best of our information and according to the explanations given to us, and taking into consideration the report of the other auditors referred to in the Other Matters paragraph below, the Bank and its subsidiary company, which are companies incorporated in India, have, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31st March, 2016, based on the internal control over financial reporting criteria established by the respective companies considering the essential components of internal control stated in the Guidance Note issued by the Institute of Chartered Accountants of India.

Other Matters

Our aforesaid report under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting in so far as it relates to the subsidiary company, incorporated in India, is based on the corresponding report of the auditors of such company incorporated in India.

The financial statements and internal financial controls over financial reporting in relation to one associate company, which is a company incorporated in India, is unaudited. Our opinion on the internal financial controls over financial reporting of the aforesaid entity excludes consideration of the internal financial controls over financial reporting in respect of this associate. In our opinion and according to the information and explanations given to us by the Bank's management, the financial statements of the associate, and the related internal financial controls over financial reporting are not material to the consolidated financial statements, and the related internal financial control over financial reporting of the aforesaid entity.

Our opinion on the adequacy and operating effectiveness of internal financial controls over financial reporting is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors and representation of the Board of Directors and management.

For **DELOITTE HASKINS & SELLS**
Chartered Accountants
(Firm's Registration No.008072S)

M. Ramachandran
Partner
(Membership No.16399)

For **M P CHITALE & CO.**
Chartered Accountants
(Firm's Registration No. 101851W)

Sanat Ulhas Chitale
Partner
(Membership No. 143700)

KOCHI, 30th April, 2016.

THE FEDERAL BANK LIMITED
CONSOLIDATED BALANCE SHEET AS AT 31st MARCH 2016

(₹ in Thousands)

	Sch No.	As at 31 March 2016	As at 31 March 2015
CAPITAL AND LIABILITIES			
Capital	1	34,37,890	17,13,306
Reserves and Surplus	2	772,03,364	752,89,423
Deposits	3	7917,08,998	7082,26,878
Borrowings	4	229,83,166	239,29,799
Other Liabilities and Provisions	5	202,10,492	199,23,524
Total		**9155,43,910**	**8290,82,930**
ASSETS			
Cash and Balances with Reserve Bank of India	6	377,69,585	338,19,840
Balances with banks and money at call and short notice	7	164,61,843	140,24,601
Investments	8	2198,24,688	2034,94,362
Advances	9	5841,97,745	5152,91,872
Fixed assets	10	52,36,392	47,26,842
Other assets	11	520,53,657	577,25,413
Total		**9155,43,910**	**8290,82,930**
Contingent liabilities	12	2025,41,221	1721,51,460
Bills for collection		151,68,300	122,16,604
Significant Accounting Policies	17		
Notes on Accounts	18		
Schedules referred to above form an integral part of the Consolidated Balance Sheet			

For and on behalf of the Board of Directors

Krishnakumar K
Deputy General Manager

Girish Kumar Ganapathy
Company Secretary

Ashutosh Khajuria
Executive Director & CFO

Shyam Srinivasan
Managing Director & CEO

Nilesh S Vikamsey
Chairman

In terms of our report attached

For **Deloitte Haskins & Sells**
Chartered Accountants

For **M P Chitale & Co.**
Chartered Accountants

M Ramachandran
Partner

Sanat Ulhas Chitale
Partner

Directors:

Sudhir M Joshi

K M Chandrasekhar

Dilip G Sadarangani

Harish H Engineer

Grace Elizabeth Koshie

Shubhalakshmi Panse

C Balagopal

Place: Kochi
Date : 30th April, 2016

THE FEDERAL BANK LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2016

(₹ in Thousands)

	Sch No.	Year ended 31 March 2016	Year ended 31 March 2015
I. INCOME			
Interest earned	13	782,28,101	748,77,736
Other income	14	78,65,457	87,85,414
Total		**860,93,558**	**836,63,150**
II. EXPENDITURE			
Interest expended	15	525,93,516	505,63,295
Operating expenses	16	190,63,188	167,52,095
Provisions and contingencies		95,57,831	62,26,839
Total		**812,14,535**	**735,42,229**
III. NET PROFIT FOR THE YEAR		**48,79,023**	**101,20,921**
Share in Profit/ (Loss) of Associate		(14,837)	4,57,222
IV. CONSOLIDATED NET PROFIT ATTRIBUTABLE TO GROUP		**48,64,186**	**105,78,143**
Balance in Profit and Loss Account brought forward from previous year		104,94,689	69,36,660
V. AMOUNT AVAILABLE FOR APPROPRIATION		**153,58,875**	**175,14,803**
VI. APPROPRIATIONS			
Transfer to Revenue Reserve		4,54,011	10,98,710
Transfer to Statutory Reserve		11,89,120	25,16,648
Transfer to Capital Reserve		63,365	2,87,560
Transfer to/(from) Investment Reserve Account		(82,119)	4,62,770
Transfer to Special Reserve		3,20,000	3,50,000
Transfer to Reserve under Sec 45 IC of RBI Act		24,508	12,683
Dividend (including tax/cess thereon) pertaining to previous year paid during the year		1,511	207
Proposed dividend		12,03,289	18,84,643
Tax on proposed dividend		2,45,274	3,83,700
Transfer to Share capital pursuant to issue of Bonus shares		17,15,891	-
Depreciation on Expired assets		-	23,193
Balance carried over to Consolidated Balance Sheet		102,24,025	104,94,689
Total		**153,58,875**	**175,14,803**
Earnings per Share (Face value of ₹ 2/- each) (₹) (Note 1.2 of Schedule 18)			
Basic		2.83	6.17
Diluted		2.82	6.12
Significant Accounting policies	17		
Notes on Accounts	18		
Schedules referred to above form an integral part of the Consolidated Profit and Loss account			

For and on behalf of the Board of Directors

Krishnakumar K
Deputy General Manager

Girish Kumar Ganapathy
Company Secretary

Ashutosh Khajuria
Executive Director & CFO

Shyam Srinivasan
Managing Director & CEO

Nilesh S Vikamsey
Chairman

In terms of our report attached

For **Deloitte Haskins & Sells**
Chartered Accountants

M Ramachandran
Partner

For **M P Chitale & Co.**
Chartered Accountants

Sanat Ulhas Chitale
Partner

Directors:

Sudhir M Joshi

K M Chandrasekhar

Dilip G Sadarangani

Harish H Engineer

Grace Elizabeth Koshie

Shubhalakshmi Panse

C Balagopal

Place: Kochi
Date : 30th April, 2016

THE FEDERAL BANK LIMITED

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH, 2016

(₹ in Thousands)

	Year ended 31 March 2016	Year ended 31 March 2015
Cash Flow from Operating Activities		
Net Profit before taxes	73,70,258	157,52,948
Adjustments for:		
Depreciation on Bank's Property	10,81,723	7,94,886
Depreciation on Investments	1,67,434	(9,34,725)
Amortisation of Premium on Held to Maturity Investments	3,53,411	3,21,114
Provision for Non Performing Investments	6,34,189	1,28,600
Provision / Charge for Non Performing Assets	55,55,174	20,39,410
Provision on Standard Assets	3,02,341	5,43,420
Withdrawal from floating provision for standard asset	-	(1,27,500)
(Profit)/ Loss on sale of fixed assets (net)	4,495	3,527
(Income) / Loss From Joint Venture	14,837	(4,57,222)
Provision for Restructutred assets	(2,08,598)	(5,52,300)
Provision for Other Contingencies	6,01,219	(44,870)
	158,76,483	**174,67,288**
Adjustments for working capital changes:-		
(Increase)/ Decrease in Investments	(440,44,385)	132,26,256
(Increase)/ Decrease in Advances	(744,61,047)	(802,93,175)
(Increase)/ Decrease in Other Assets	32,02,789	(29,14,675)
Increase/ (Decrease) in Deposits	834,82,119	1109,36,489
Increase/ (Decrease) in Other liabilities and provisions	8,06,743	(7,76,296)
Direct taxes paid	(4,32,059)	(60,63,199)
Net Cash Generated from Operating Activities	**(155,69,357)**	**515,82,688**
Cash Flow from Investing Activities		
Purchase of Fixed Assets	(16,10,868)	(12,11,406)
Proceeds from Sale of Fixed Assets	15,100	14,941
(Increase)/ Decrease in Held to Maturity Investments	265,44,186	(124,46,314)
Net Cash Used in Investing Activities	**249,48,418**	**(136,42,779)**
Cash Flow from Financing Activities		
Proceeds from Issue of Share Capital	8,693	2,687
Proceeds from Share Premium	2,15,627	1,07,001
Repayment of Subordibate Debt	-	(3,00,000)
Increase/(Decrease) in Borrowings (Excluding Subordinate Debt)	(9,46,633)	(334,45,563)
Dividend Paid (Including Tax on Dividend)	(22,69,854)	(18,01,378)
Net Cash generated from financing Activities	**(29,92,167)**	**(354,37,253)**
Effect of exchange fluctuation on translation reserve	**93**	**-**
Increase/(Decrease) in Cash & Cash Equivalents	**63,86,987**	**25,02,656**

(₹ in Thousands)

	Year ended 31 March 2016	Year ended 31 March 2015
Cash and Cash Equivalents at the beginning of year	478,44,441	453,41,785
Cash and Cash Equivalents at the end of year	542,31,428	478,44,441

Note:
Cash and cash equivalents comprise of cash on hand (including foreign currency notes), Balances with Reserve Bank of India, Balance with Banks and Money at Call and Short notice (Refer schedules 6 and 7 of the Consolidated Balance sheet)

For and on behalf of the Board of Directors

Krishnakumar K
Deputy General Manager

Girish Kumar Ganapathy
Company Secretary

Ashutosh Khajuria
Executive Director & CFO

Shyam Srinivasan
Managing Director & CEO

Nilesh S Vikamsey
Chairman

In terms of our report attached

For **Deloitte Haskins & Sells**
Chartered Accountants

M Ramachandran
Partner

For **M P Chitale & Co.**
Chartered Accountants

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Harish H Engineer

Grace Elizabeth Koshie

Shubhalakshmi Panse

C Balagopal

Place: Kochi
Date : 30th April, 2016

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

(₹ in Thousands)

	As at 31 March 2016	As at 31 March 2015
SCHEDULE 1 - CAPITAL		
Authorised Capital 250,00,00,000 (Previous year 250,00,00,000) Equity Shares of ₹2/- each	50,00,000	50,00,000
Issued Capital 172,02,95,889 (Previous year 85,80,04,242) Equity Shares of ₹2/- each	34,40,592	17,16,008
Subscribed, Called-up and Paid-up Capital 171,89,46,844 (Previous year 85,66,55,197) Equity Shares of ₹2/-each	34,37,894	17,13,310
Less: Calls in arrears	4	4
Total	**34,37,890**	**17,13,306**
Also refer Note 1.3 of Schedule 18		

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

(₹ in Thousands)

	As at 31 March 2016	As at 31 March 2015
SCHEDULE 2 - RESERVES AND SURPLUS		
I. Statutory Reserve		
Opening balance	174,04,124	148,87,476
Additions during the year	11,89,120	25,16,648
	185,93,244	**174,04,124**
II. Capital Reserves		
(a) Revaluation Reserve		
Opening balance	50,091	50,091
Deductions during the year	-	-
	50,091	**50,091**
(b) Others		
Opening balance	23,52,773	20,65,213
Additions during the year*	63,365	2,87,560
	24,16,138	**23,52,773**
	24,66,229	**24,02,864**
III. Share premium		
Opening balance	248,68,958	247,61,957
Additions during the year#	2,15,627	1,07,001
	250,84,585	**248,68,958**
IV. Revenue and Other Reserves		
a) Revenue Reserve		
Opening Balance	145,17,551	134,18,841
Additions during the year	4,54,011	10,98,710
Deductions during the year	-	-
	149,71,562	**145,17,551**
b) Other Reserves		
Investment Fluctuation Reserve		
Opening Balance	18,97,200	18,97,200
Additions during the year	-	-
	18,97,200	**18,97,200**
c) Special Reserve (As per section 36(1)(viii) of Income Tax Act)		
Opening balance	28,89,900	25,39,900
Addition during the year	3,20,000	3,50,000
	32,09,900	**28,89,900**
V. Investment Reserve Account		
Opening balance	4,62,770	-
Addition during the year	-	4,62,770
Deductions during the year	82,119	-
	3,80,651	**4,62,770**
VI. Foreign Currency Translation Reserve		
Opening Balance	-	
Additions during the year [Refer Schedule 17 (2.7)]	93	
	93	**-**
VI. Contingency Reserve		
Opening balance	3,01,003	3,01,003
Addition during the year	-	-
	3,01,003	**3,01,003**
VII. Reserve Fund		
Balance as per last Balance Sheet	49,331	36,648
Transferred from Consolidated Profit and Loss Account	24,508	12,683
	73,839	**49,331**
VIII. General Reserve		
Balance as per last Balance Sheet	1,033	1,470
Less: Additional depreciation as per schedule II of Companies Act, 2013	-	(437)
	1,033	**1,033**
IX. Balance in Consolidated Profit and Loss Account	**102,24,025**	**104,94,689**
Total	**772,03,364**	**752,89,423**

* - 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 ₹ 63,365 Thousands (Previous year ₹ 286,163 Thousands)
b) Profit on sale of Land ₹ NIL (Previous year ₹ 1,397 Thousands)

- Represents amount received on exercise of Employee stock options

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

(₹ in Thousands)

	As at 31 March 2016	As at 31 March 2015
SCHEDULE 3 - DEPOSITS		
A. I. Demand Deposits		
i. From Banks	13,13,810	7,87,120
ii. From Others	449,90,025	397,78,774
	463,03,835	**405,65,894**
II. Savings Bank Deposits	2142,22,059	1772,69,068
III. Term Deposits		
i. From Banks	51,39,728	243,84,519
ii. From Others	5260,43,376	4660,07,397
	5311,83,104	**4903,91,916**
Total	**7917,08,998**	**7082,26,878**
B. I. Deposits of branches in India	7917,08,998	7082,26,878
II. Deposits of branches outside India	-	-
Total	**7917,08,998**	**7082,26,878**
SCHEDULE 4 - BORROWINGS		
I.Borrowings in India		
i. Reserve Bank of India	-	-
ii. Other Banks #	16,89,500	11,69,388
iii. Other institutions and agencies ##	166,94,986	196,38,127
	183,84,486	**208,07,515**
II.Borrowings outside India	45,98,680	31,22,284
Total	**229,83,166**	**239,29,799**
Secured borrowings included in I and II above	88,38,182	35,28,557
# Borrowings from other banks include Subordinated Debt of ₹ 322,000 Thousands (Previous Year ₹ 322,000 Thousands) in the nature of Non Convertible Debentures (included in Tier II capital).		
## Borrowings from other Institutions and agencies include Subordinated Debt of ₹ 1,678,000 Thousands (Previous Year ₹1,678,000 Thousands) in the nature of Non Convertible Debentures (included in Tier II capital).		
SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS		
I. Bills Payable	93,265	1,89,506
II. Inter - office adjustments (Net)	21,49,956	22,27,182
III. Interest accrued	23,24,723	21,70,039
IV. Others (including provisions)*	156,42,548	153,36,797
Total	**202,10,492**	**199,23,524**
*Includes :-		
(a) Contingent provision against standard assets	31,82,536	28,80,195
(b) Proposed Dividend	12,03,289	18,84,643
(c) Tax on Proposed Dividend	2,45,274	3,83,700
(d) Deferred Tax Liability (Net)	-	3,94,957

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

(₹ in Thousands)

	As at 31 March 2016	As at 31 March 2015
SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA		
I. Cash in hand (including foreign currency notes)	56,01,923	65,80,098
II. Balance with Reserve Bank of India		
i. in Current Accounts	321,67,662	272,39,742
ii. in Other Accounts	-	-
Total	**377,69,585**	**338,19,840**
SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE		
I. In India		
i. Balances with banks		
a. in Current Accounts	46,32,159	19,42,632
b. in Other Deposit Accounts	5,07,000	31,12,480
ii. Money at call and short notice		
a. With Banks	-	20,00,000
b. With other institutions	-	-
Total	**51,39,159**	**70,55,112**
II. Outside India		
i. in Current Accounts	3,90,609	7,19,489
ii. in Other Deposit Accounts	109,32,075	62,50,000
iii. Money at call and short notice	-	-
Total	**113,22,684**	**69,69,489**
Grand Total (I and II)	**164,61,843**	**140,24,601**

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

(₹ in Thousands)

	As at 31 March 2016	As at 31 March 2015
SCHEDULE 8 - INVESTMENTS		
I. Investments in India in :		
i. Government Securities ## **	1700,39,703	1687,60,964
ii. Other approved Securities	-	-
iii. Shares	15,54,363	15,79,257
iv. Debentures and Bonds	169,90,389	81,07,056
v. Joint Venture $	16,29,746	16,44,583
vi. Others @ ^	296,03,955	234,02,502
Total	**2198,18,156**	**2034,94,362**
II. Investments outside India- Shares	6,532	-
Grand Total (I and II)	**2198,24,688**	**2034,94,362**
Gross Investments		
In India	2208,89,647	2037,94,438
Outside India	8,141	-
	2208,97,788	**2037,94,438**
Depreciation/ Provision for Investments		
In India	10,71,491	3,00,076
Outside India	1,609	-
	10,73,100	**3,00,076**
Net Investments		
In India	2198,18,156	2034,94,362
Outside India	6,532	-
	2198,24,688	**2034,94,362**

Securities costing ₹ 41,341,696 Thousands (Previous Year ₹ 53,495,978 Thousands) pledged for availment of fund transfer facility, clearing facility and margin requirements

** Net of Repo borrowing of ₹ 29,380,000 Thousands (Previous Year ₹ 24,336,000 Thousands) under the Liquidity Adjustment Facility in line with the RBI requirements

$ represents investment accounted as an associate in line with AS -23 , Accounting of Investments in Associates in Consolidated Financial Statements , prescribed under Section 133 of the Companies Act, 2013 [Refer Schedule 17, Note 2.2 (iv)]

@ Includes:

(₹ in Thousands)

Particulars	As at 31 March 2016	As at 31 March 2015
Pass through certificates (PTCs)	63,573	9,28,780
Certificate of Deposits	118,38,290	176,64,316
Commercial Paper	110,92,995	-
Venture Capital Funds (VCFs)	3,81,198	3,92,303
Security Receipts	62,27,571	44,16,757
Others	328	346
	296,03,955	**234,02,502**

^ In accordance with RBI circular dated July 16, 2015,Priority shortfall deposits of ₹ 3,34,57,992 Thousands (March 31, 2015: ₹ 3,84,03,772 Thousands) has been re-classified under Schedule 11 - Other Assets.

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

(₹ in Thousands)

	As at 31 March 2016	As at 31 March 2015
SCHEDULE 9 - ADVANCES (NET OF PROVISIONS)		
A. i. Bills purchased and discounted	140,41,982	132,60,651
ii. Cash credits, overdrafts and loans repayable on demand	3256,93,382	2849,22,814
iii. Term loans	2444,62,381	2171,08,407
Total	**5841,97,745**	**5152,91,872**
B. i. Secured by tangible assets $	4895,35,150	4468,00,653
ii. Covered by Bank/Government guarantees #	213,15,370	258,21,130
iii. Unsecured	733,47,225	426,70,089
Total	**5841,97,745**	**5152,91,872**
C. I. Advances in India		
i. Priority Sector	1852,93,996	1734,02,580
ii. Public Sector	52,52,443	351,82,365
iii. Banks	74,739	7,540
iv. Others	3908,21,860	3066,99,387
Total	**5814,43,038**	**5152,91,872**
II. Advances outside India	-	-
i. Due from Banks	-	-
ii. Due from Others		
a) Bills purchased and discounted	-	-
b) Syndicated Loans	-	-
c) Others	27,54,707	-
Total	**27,54,707**	**-**
Grand Total (C I and C II)	**5841,97,745**	**5152,91,872**

$ Includes Advances against book debts
# Includes Advances against L/Cs issued by banks

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

(₹ in Thousands)

	As at 31 March 2016	As at 31 March 2015
SCHEDULE 10 - FIXED ASSETS		
I OWNED ASSETS		
a.Premises #		
Gross Block		
At the beginning of the year	22,97,653	22,63,552
Additions during the year	41,933	35,292
Deductions during the year	-	1,191
Closing Balance	**23,39,586**	**22,97,653**
Depreciation		
As at the beginning of the year	7,41,164	6,84,730
Charge for the year	54,938	56,434
Deductions during the year	-	-
Depreciation to date	**7,96,102**	**7,41,164**
Net Block	**15,43,484**	**15,56,489**
b.Other fixed assets		
(including furniture and fixtures)		
Gross Block		
At the beginning of the year	81,62,678	71,30,674
Additions during the year	16,77,151	11,36,506
Deductions during the year	1,01,626	1,04,503
Closing Balance	**97,38,203**	**81,62,677**
Depreciation and Impairment Loss		
As at the beginning of the year	52,57,955	45,71,106
Charge for the year * $	10,28,967	7,74,692
Deductions during the year	84,030	87,661
Depreciation to date	**62,02,892**	**52,58,137**
Net Block	**35,35,311**	**29,04,540**
II. Capital Work in progress (Including Capital Advances)	1,57,597	2,65,813
Total (I, II & III)	**52,36,392**	**47,26,842**

 # Includes buildings constructed on leasehold land at different places having original cost of ₹ 655,643 Thousands (Previous Year ₹ 655,643 Thousands) and Written down value of ₹ 512,528 Thousands (Previous Year ₹ 520,026 Thousands) with remaining lease period varying from 60 - 72 years
** - Net of reversal of excess depreciation - ₹ Nil (Previous Year: ₹ 243,498 Thousands) pursuant to change in method of depreciaion for certain categories of fixed assets from written down value (WDV) method to straight line method (SLM) by the Bank.*

$ includes impairment loss of subsidiary company - ₹ 2,182 Thousands (Previous Year ₹ 436 Thousands)

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

	As at 31 March 2016	As at 31 March 2015
SCHEDULE 11 - OTHER ASSETS		
I. Inter - office adjustments (net)	-	-
II. Interest accrued	50,54,140	56,11,403
III. Tax paid in advance/tax deducted at source (Net of provision)	63,07,577	93,37,890
IV. Stationery and Stamps	45,485	34,239
V. Non-banking assets acquired in satisfaction of claims@	15,429	5,953
VI. Others#	406,31,026	427,35,928
Total	**520,53,657**	**577,25,413**
@ - Includes certain Non-Banking assets acquired in satisfaction of claims which are in the process of being transferred in the Bank's name		
# Includes		
(a)Priority sector shortfall deposits	334,57,992	384,03,772
(b) Deferred Tax Asset (Net)	5,81,361	20,016
SCHEDULE 12 - CONTINGENT LIABILITIES		
I. Claims against the Bank not acknowledged as debts	11,14,146	32,40,713
II. Liability on account of outstanding forward exchange contracts	1424,21,170	1263,08,293
III. Guarantees given on behalf of constituents - in India	439,96,473	326,01,130
IV. Acceptances, endorsements and other obligations	132,05,034	90,04,087
V. Other items for which the Bank is contingently liable@	18,04,398	9,97,237
Total	**2025,41,221**	**1721,51,460**
(Refer Note 1.12 of Schedule 18) @ - includes ₹ 773,328 Thousands (Previous Year ₹ 667,960 Thousands) being amount transferred to DEAF Cell, RBI and outstanding, as per RBI circular DBOD.No.DEAF Cell.BC.114/30.01.002/2013-14.		

THE FEDERAL BANK LIMITED

SCHEDULES FORMING PART OF CONSOLIDATED THE PROFIT AND LOSS ACCOUNT

(₹ in Thousands)

	Year ended 31 March 2016	Year ended 31 March 2015
SCHEDULE 13 - INTEREST EARNED		
I. Interest/discount on advances/bills	574,81,809	551,01,064
II. Income on investments #	175,88,756	184,09,574
III.Interest on balances with Reserve Bank of India and other inter-bank funds	5,59,631	6,23,602
IV. Others* #	25,97,905	7,43,496
Total	**782,28,101**	**748,77,736**
* - Includes interest on Income tax refunds amounting to ₹ 408,492 Thousands (Previous year ₹ 704,797 Thousands) accounted based on Assessment orders received.		
# Interest on Priority Shortfall deposits of ₹ 20,96,432 Thousands (Previous Year: ₹ 18,62,442 Thousands) has been re-classified from line item 'Income on investments' to 'Others' consequent to re-classification of such deposits from Schedule 8 - Investments to Schedule 11 - Other Assets.		
SCHEDULE 14 - OTHER INCOME		
I. Commission, exchange and brokerage	41,54,714	38,11,505
II. Profit on sale of investments (Net)	12,75,129	25,56,674
III. Profit on revaluation of investments (Net)	-	-
IV. Profit / Loss on sale of land, buildings and other assets (Net)	(4,495)	(3,527)
V. Profit on foreign exchange transactions (Net)	13,04,908	11,62,068
VI. Income earned by way of dividends etc. from companies in India	34,665	71,756
VII.Miscellaneous income [Includes Recoveries in assets written off ₹ 889,322 Thousands (Previous Year ₹ 1,067,534 Thousands)]	11,00,536	11,86,938
Total	**78,65,457**	**87,85,414**

THE FEDERAL BANK LIMITED

SCHEDULES FORMING PART OF CONSOLIDATED THE PROFIT AND LOSS ACCOUNT

(₹ in Thousands)

	Year ended 31 March 2016	Year ended 31 March 2015
SCHEDULE 15 - INTEREST EXPENDED		
I. Interest on deposits	506,12,589	462,73,002
II. Interest on Reserve Bank of India/Inter bank borrowings	89,818	5,87,683
III.Others	18,91,109	37,02,610
Total	**525,93,516**	**505,63,295**
SCHEDULE 16 - OPERATING EXPENSES		
I. Payments to and provisions for employees	107,42,145	91,30,516
II. Rent, taxes and lighting	20,81,385	18,94,513
III. Printing and stationery	1,74,907	1,72,858
IV. Advertisement and publicity	49,016	3,93,473
V.Depreciation on Bank`s property*	10,81,723	7,94,886
Less: Depreciation on revaluation of Premises transferred from Revaluation Reserve	-	-
	10,81,723	7,94,886
VI. Directors' fees, allowances and expenses	20,377	22,062
VII. Auditors' fees and expenses (including branch auditors' fees and expenses)	74,542	69,983
VIII.Law charges	98,510	84,158
IX. Postage, Telegrams, Telephones etc	4,81,942	4,71,463
X. Repairs and maintenance	5,74,392	4,81,657
XI. Insurance	7,39,620	6,25,367
XII. Other expenditure#	29,44,629	26,11,159
Total	**190,63,188**	**167,52,095**

* - Net of reversal of excess depreciation - ₹ Nil (Previous Year:₹ 243,498 Thousands) pursuant to change in method of depreciaion for certain categories of fixed assets from written down value(WDV) method to straight line method (SLM) by the Bank.

* - Includes expenditure on Corporate Social Responsibility - ₹ 124,527 Thousands (Previous Year ₹73,031 Thousands)

THE FEDERAL BANK LIMITED

SCHEDULE 17 : SIGNIFICANT ACCOUNTING POLICIES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2016

1. Corporate information

The Federal Bank Limited ('FBL' or the 'Bank') together with its subsidiary (collectively, the 'Group') and associate is a diversified financial services group providing a wide range of banking and financial services including commercial banking, retail banking, project and corporate finance, working capital finance, insurance and treasury products and services. Operations of the Group are spread all over India.

The Bank was incorporated in 1931 as Travancore Federal Bank Limited to cater to the banking needs of Travancore Province. It embarked on a phase of sustained growth under the leadership of Late K.P. Hormis. The bank is governed by Banking Regulation Act, 1949 and other applicable acts/ regulations.

During the Year the bank had set up an International Financial Service Centre (IFSC) Banking unit (IBU) in Gujarat International Finance Tec-City (GIFT City) in line with global financial centres of Singapore and Dubai. IBU at Gift city is equivalent to an Offshore Banking unit, for all regulatory purposes.

2. Basis of Consolidation and significant accounting policies

2.1. Basis of accounting and preparation of consolidated financial statements

The consolidated financial statements of the Bank and its subsidiary (together the 'Group') have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards prescribed under Section 133 of the Companies Act, 2013 and the relevant provisions of the Companies Act, 2013 ("the Act") as applicable and current practices prevailing within the Banking Industry in India. Suitable adjustments are made to align with the format prescribed under the Banking Regulation Act, 1949. The consolidated financial statements have been prepared on accrual basis under historical cost convention, except in the case of interest income on Non- Performing Assets where it is recognised upon realisation, as per RBI guidelines. The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the previous year.

The Ministry of Corporate affairs (MCA) has notified the Companies (Accounting Standards) Amendment Rules, 2016 vide its notification dated March 30, 2016. As per Clarification issued by Institute of Chartered Accountants of India dated 26th April, 2016, the said notification is applicable to accounting periods commencing on or after the date of notification i.e. 1st April, 2016. Hence the said notification has not been considered in the preparation of these financial statements.

2.2. Principles of consolidation

(i) The consolidated financial statements relate to the Federal Bank Limited ('FBL' or the 'Bank') its subsidiary company and the Group's share of loss in its associate. The details of subsidiary and associate entities are given below:

Name of the entity	Relationship	Country of Incorporation	Ownership held by	% of Holding and voting power either directly or indirectly through subsidiary as at	
				31 March, 2016	31 March, 2015
Fedbank Financial Services Limited (FFSL or Subsidiary)	Subsidiary Company	India	The Federal Bank Limited	100	100
IDBI Federal Life Insurance Company Limited (Associate)	Associate	India	The Federal Bank Limited	26	26
			IDBI Bank Limited	48	48
			Ageas Insurance International N.V	26	26

(ii) The audited financial statements of the subsidiary company and the unaudited financial statements of the associate have been drawn up to the same reporting date as that of the Bank, i.e. 31 March, 2016.

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

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

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

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

2.3. **Use of estimates**

The preparation of the consolidated financial statements in conformity with Indian GAAP requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) and the reported income and expenses during the year. The Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ due to these estimates and the differences between the actual results and the estimates are recognised in the periods in which the results are known / materialise.

2.4 **Advances**

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

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

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

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

The Bank maintains general provision for standard assets including credit exposures computed as per the current marked-to-market values of interest rate and foreign exchange derivative contracts, in accordance with the guidelines and at levels stipulated by RBI from time to time – Farm Credit to agricultural activities and Small and Micro Enterprises (SMEs) 0.25%, Commercial Real Estate at 1%, restructured advances at 5%, teaser rate housing loans at 2%, commercial real estate- residential housing at 0.75% and for other sectors at 0.40%.

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 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.

Loss on sale of assets to Asset Reconstruction Companies

The RBI issued guidelines on sale of non-performing advances on February 26, 2014. In accordance with these guidelines, if the sale of non- performing advances is at a price below the net book value, the shortfall is charged to the Profit and Loss Account spread over a period of two years. 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.

2.5 Country risk

In addition to the provisions required to be held according to the asset classification status, provisions are held for individual country exposure (other than for home country). The countries are categorised into seven risk categories namely insignificant, low, moderate, high, very high, restricted and off-credit as per Export Credit Guarantee Corporation of India Limited ("ECGC") guidelines and provision is made on exposures exceeding 180 days on a graded scale ranging from 0.25% to 100%. For exposures with contractual maturity of less than 180 days, 25% of the normal provision requirement is held. If the country exposure (net) of the Bank in respect of each country does not exceed 1% of the total funded assets, no provision is maintained on such country exposure.

2.6 Investments

The Bank

Classification

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

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

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

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

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

Transfer of securities between Categories

Transfer of securities between categories is done at the lower of the acquisition cost / book value / market value on the date of the transfer and the depreciation, if any, on such transfer is fully provided for, as per RBI guidelines.

Acquisition Cost

In determining the acquisition cost of the Investment:

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

Valuation

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

a) Held for Trading /Available for Sale– Investments classified under the AFS and HFT categories are marked-to-market. The market/fair value of quoted investments included in the ‘AFS’ and ‘HFT’ categories is the Market Price of the Scrip as available from the trades/ quotes on the stock exchanges or prices declared by Primary Dealers Association of India (‘PDAI’) jointly with Fixed Income Money Market and Derivative Associations of India (‘FIMMDA’), periodically. Net depreciation, if any, within each category of each investment classification is recognised in Consolidated Profit and Loss Account. The net appreciation, if any, under each category of each Investment is ignored. 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 of government securities are 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 and Certificate of Deposits being discounted instruments, are valued at carrying cost.

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

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

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

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

g) The Bank follows trade date method of accounting for purchase and sale of investments, except for Government of India and State Government securities where settlement date method of accounting is followed in accordance with RBI Guidelines.

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

Disposal of Investments

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

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

Repo and Reverse Repo transactions

In accordance with the RBI guidelines repo and reverse repo transactions in government securities [excluding transactions conducted under Liquidity Adjustment Facility ('LAF') and Marginal Standby facility ('MSF') with RBI] are reflected as borrowing and lending transactions respectively. Borrowing cost on repo transactions is accounted for as interest expense and revenue on reverse repo is accounted for as interest income.

In respect of Repo transactions under LAF and MSF with RBI, amount borrowed from RBI are credited to investment account and reversed on maturity of the transaction. Costs thereon are accounted for as interest expense. In respect of reverse Repo transactions under LAF, amount lent to RBI is debited to investment account and reversed on maturity of the transaction. Revenues thereon are 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. Such short positions are categorized under HFT category. These positions are marked –to-market along with the other securities under HFT Portfolio and resultant mark-to-market gains/losses are accounted for as per the relevant RBI guidelines for valuation of Investments discussed earlier.

The Subsidiary

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

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

2.7 Transactions involving foreign exchange

Foreign currency income and expenditure items of domestic operations are translated at the exchange rates prevailing on the date of the transaction. Income and expenditure items of non- integral foreign operations (IBU at GIFT city) are translated at quarterly average closing rates.

Foreign currency monetary items of domestic operation are translated at the closing exchange rates notified by Foreign Exchange Dealer's Association of India (FEDAI) as at the Balance sheet date and the resulting net valuation profit or loss is recognized in the Consolidated profit and loss account.

Both Monetary and Non- Monetary foreign currency Assets and liabilities of Non-Integral Foreign Operations are translated at closing exchange rates notified by FEDAI at the balance sheet date and 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.

Foreign exchange spot and forward Contracts (Other than Foreign exchange swaps taken to hedge Federal Rupee plus deposits denominated in JPY) outstanding as at the Balance Sheet date are revalued at the closing Spot and Forward Rates respectively as notified by FEDAI and at interpolated rated 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 directed by FEDAI to consider profit or loss on present value basis, the forward profit or loss on the deals are discounted till the valuation date using the discounting yields. The resulting profit or loss on valuation is recognised in the Consolidated Profit and Loss Account.

Foreign exchange swaps taken to hedge Federal Rupee plus deposits denominated in JPY are translated at the prevailing spot rate at the time of swap. The Premium/ Discount on the swap arising out of the difference in the exchange rate of the swap date and maturity date of the underlying forward exchange contract is amortised over the period of the swap and the same is recognised in the Consolidated 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.

2.8 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 other than those designated as hedges are recognised in the Consolidated Profit and Loss Account.

2.9 Fixed assets and depreciation

Fixed assets are carried at cost of acquisition less accumulated depreciation and impairment, if any. Cost includes cost of purchase and all expenditure like freight, duties, taxes and incidental expenses related to the acquisition and installation of the asset.

Capital work-in-progress includes cost of fixed assets that are not ready for their intended use and also 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 a straight-line basis at the rates and manner prescribed in Schedule II of the Companies Act, 2013, 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. Improvement to leased Premises are depreciated over 5 years based on technical evaluation.

Depreciation on premises revalued has been charged on their written-down value including the addition made on revaluation.

Depreciation on assets sold during the year is recognised on a pro-rata basis till the date of sale.

Profit on sale of premises is appropriated to Capital Reserve account in accordance with RBI instructions.

2.10 **Impairment of Assets**

The carrying values of assets at each balance sheet date are reviewed for impairment, if any indication of impairment exists. If the carrying amount of the assets exceed the estimated recoverable amount, an impairment is recognised for such excess amount. The impairment loss is recognised as an expense in the Profit and Loss Account, unless the asset is carried at revalued amount, in which case any impairment loss of the revalued asset is treated as a revaluation decrease to the extent a revaluation reserve is available for that asset.

The recoverable amount is the greater of the net selling price and their value in use. Value in use is arrived at by discounting the future cash flows to their present value based on an appropriate discount factor.

When there is indication that an impairment loss recognised for an asset (other than a revalued asset) in earlier accounting periods no longer exists or may have decreased, such reversal of impairment loss is recognised in the Profit and Loss Account, to the extent the amount was previously charged to the Profit and Loss Account. In case of revalued assets such reversal is not recognised.

2.11 **Non-Banking Assets**

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

2.12 **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)

2.13 **Revenue Recognition**

- Interest income is recognised on an accrual basis except interest income on non-performing assets, which is recognised upon receipt with AS-9, Revenue Recognition as prescribed under Section 133 of the Companies Act, 2013 and as specified in RBI guidelines.
- 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.
- 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.

2.14 **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 Consolidated Profit and Loss Account as per the lease terms

2.15 **Retirement and other employee benefits**

The Bank

a) Provident Fund

The contribution made by the bank to The Federal Bank Employees Provident Fund, administered by the trustees is charged to Consolidated Profit and Loss account.

b) Pension Fund

The contribution towards The Federal Bank Employees' Pension Fund, managed by trustees, is determined on actuarial basis on projected unit credit method as on the Balance Sheet date and is recognised in the accounts.

Employees who had joined the services of the Bank with effect from April 01, 2010 are covered under Defined Contributory Pension Scheme (DCPS). In respect of such employees the bank contributes 10% of the Basic Pay plus Dearness Allowance and the expenditure thereof is charged to the Consolidated Profit and Loss account.

c) Gratuity

The bank makes annual contribution to The Federal Bank Employees' Gratuity Trust Fund administered and managed by the Trustees. The cost of providing such benefits is determined using the Projected Unit Credit method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognised in the Consolidated Profit and Loss Account in the period in which they occur. The retirement benefit obligation recognised in the Balance Sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the schemes.

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

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

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

e) Other employee Benefits

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

The Subsidiary

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

b) The net present value of the obligation for gratuity benefits, which is a defined benefit plan, as determined on independent actuarial valuation, conducted annually using projected unit credit method, as adjusted for unrecognized past services cost, if any, is recognised in the accounts. Actuarial gains and losses are recognised in full in the Profit and Loss Account for the period in which they occur.

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

2.16 **Debit card reward points**

The Bank runs a loyalty program which seeks to recognise and reward customers based on their relationship with the Bank. Under the program, eligible customers are granted loyalty points redeemable in future, subject to certain conditions. The Bank estimates the probable redemption of such loyalty/reward points using an actuarial method at the Balance Sheet date by employing independent actuary. Provision for said reward points is then made based on the actuarial valuation report as furnished by the said independent Actuary.

2.17 **Employee Stock Option Scheme**

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

2.18 **Taxation**

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

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

Minimum Alternate Tax (MAT) paid in accordance with the tax laws, which gives future economic benefits in the form of adjustment to future income tax liability, is considered as an asset if there is convincing evidence that the Group will pay normal income tax. Accordingly, MAT is recognised as an asset in the Consolidated Balance Sheet when it is highly probable that future economic benefit associated with it will flow to the Group.

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

The Group Offsets Deferred Tax Assets and Deferred Tax Liabilities, and advance Income tax and provision for tax, if it has a legally enforceable right and these relate to taxes in income levied by the same governing taxation laws.

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

2.19 **Earnings per Share**

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

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

2.20 **Segment information**

The disclosure relating to segment information is in accordance with the guidelines issued by RBI.

2.21 **Provisions, contingent liabilities and contingent assets**

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

A disclosure of contingent liability is made when there is:

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

- a present obligation arising from a past event which is not recognised as it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.

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

2.22 Corporate Social Responsibility

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

2.23 CENVAT Credit

Service tax input credit is accounted for in the books within the time limit prescribed under CENVAT Credit Rules, 2004, as amended.

SCHEDULE 18 : NOTES ON ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2016

Amounts in Notes forming part of the Consolidated Financial Statements for the year ended 31 March, 2016 are denominated in Rupees Crore to conform to extant RBI guidelines

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

	For the year ended	31 March 2016	31 March 2015
i)	Provision towards NPAs *	555.63	203.94
ii)	Provision for depreciation Investments (Net)	16.74	(93.47)
iii)	Provision for Non Performing Investments	63.42	12.86
iv)	Provision for Standard Assets	30.23	54.34
v)	Withdrawal from floating provision	-	(12.75)
vi)	Provision for Taxation : Current Tax Deferred tax	 346.24 (95.63)	 762.98 (245.50)
vii)	Provision towards present value of sacrifice on restructuring, other contingencies etc.	39.15	(59.72)
	Total	**955.78**	**622.68**

* Net of Floating Provision of ₹ 69 Crore (Previous Year: Nil) withdrawn during the year vide Circular DBR.No.BP.BC.79/21.04.048/2014-15 dated March 30, 2015 issued by the Reserve Bank of India.

1.2 **Earnings per Share ('EPS')**

Particulars	31 March 2016	31 March 2015
Weighted average number of equity shares used in computation of basic earnings per share (in 000's)	17,16,993	17,13,776
Weighted average number of equity shares used in computation of diluted earnings per share (in 000's)	17,25,591	17,28,310
Nominal Value of share (in ₹)	2	2
Basic earnings per share (in ₹)	2.83	6.17
Diluted earnings per share (in ₹)	2.82	6.12
Earnings used in the computation of basic and diluted earnings per share (₹ in '000)	48,64,184	105,78,143

1.3 A. **Issue of Bonus Shares**

The shareholders of the Bank had approved the issue of Bonus Shares at the Annual General Meeting held on June 29, 2015, in the Ratio of 1:1 for Shares held as on the record date of July 9, 2015. Pursuant to the above 85,79,45,206 fully paid up Equity Shares had been allotted by the bank as bonus shares and One Global Depositary share (GDS) had been issued as bonus for every GDS held to the existing holders as on the record date. Consequently, as per the extant ESOS 2010 Scheme bonus options had been provided to the existing ESOS option holders and the exercise price had been adjusted accordingly. The earnings per share have been adjusted for previous year in accordance with Accounting Standard 20, Earnings per share.

B. Subscribed and paid-up capital includes:

(i) 16,590 shares of ₹ 2/- each (Previous Year 16590 shares of ₹ 2/- each) issued for consideration other than cash

(ii) 2,80,49,968 underlying equity shares of ₹ 2/- each (Previous Year 1,66,66,588 of ₹ 2/- each) held by custodian on behalf of holders of Global Depository Receipts (GDRs)

(iii) 57,61,133 ESOS shares of ₹ 2/- per share (Previous year 14,14,692 shares of ₹ 2/- Per share) allotted under ESOS 2010.

(iv) 85,79,45,206 bonus shares were issued in the ratio of 1:1 in this financial year.

C. Allotment of 6,530 shares of ₹ 2/- each (Previous year 6,530 shares of ₹ 2/- each) pertaining to the Right issue of 1993 issued at premium of ₹25/- per share and 2,62,100 shares of ₹ 2/- each (Previous year 2,62,100 shares of ₹ 2/- per share) pertaining to the Rights issue of 1996 issued at a premium of ₹140/- per Share and 10,80,415 equity shares of ₹ 2/- each (Previous year 10,83,415 shares of ₹ 2/- per share, at a premium of ₹ 240/- per share) pertaining to Rights issue of 2007 are kept pending following orders from various courts.

Issue of certificates/credit in demat account in respect of 4,09,170 shares of ₹ 2/- each (Previous year 4,11,940 shares of ₹ 2/- each) out of the Bonus issue of 2004 and 6,15,755 bonus shares of ₹ 2/- each, out of the Bonus issue of 2015 are kept in abeyance consequent to injunction orders from various courts

D. Employee Stock Option Scheme ("ESOS")

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

Number of Options

	31 March, 2016	31 March, 2015
Outstanding at the beginning of the year	81124186	74055610
Surrendered during the year	-	-
Granted during the year*	1025000	11156450

	31 March, 2016	31 March, 2015
Exercised during the year (Includes 12,90,009 (Previous Year: 13,4,412) on account of actual issue of Bonus shares	5636450	2680824
Forfeited/lapsed during the year	325590	1407050
Outstanding at the end of the year	76187146	81124186
Options exercisable	52727176	40974066

* ESOS granted on 18th September, 2015 and 16th November 2015 with vesting period of 1,2,3 and 4 years. Exercise period of 5 years and exercise price of ₹ 60.35/- per share and ₹ 53.70 per share, respectively.

As per SEBI guidelines the accounting for ESOS can be done either under the 'Intrinsic value basis' or 'Fair value basis'.

The Compensation Committee in their meeting dated 10th May, 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 24 December, 2010

The exercise price of the options granted is the same as the market price on the date prior to grant date and hence there is no intrinsic value for the options, which has to be amortized over the vesting period. If "Fair Value Method" had been adopted based on "Black-Scholes pricing model" for pricing and accounting of options, net profit would be lower by ₹ 19.83 Crore (Previous Year: ₹ 25.42Crore)

The modified basic and diluted earnings per share for the year, had the company followed Fair Value Method of accounting for ESOS compensation cost, would be ₹ 2.72 and ₹ 2.69 (Previous Year: ₹ 6.17 and ₹ 6.12) respectively.

(ii) Dividend paid on shares issued on exercise of stock options

The Bank may allot shares between the Balance Sheet date and record date for the declaration of dividend pursuant to the exercise of any employee stock options. These shares will eligible for full dividend for the year ended 31 March 2016, if approved at the ensuing Annual General Meeting. Dividend relating to these shares has not been recorded in the current year.

(iii) Dividend (Including tax/cess thereon) appropriation of ₹ 0.15 Crore represent dividend for Financial Year 2014-15 on the shares issued under Employee Stock Options Scheme before the record date, as per shareholders approval.

1.4 Segment Reporting (AS 17)

A. Business Segments

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

Treasury

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

The income of this segment primarily consists of earnings from the investment portfolio of the bank, gains and losses on trading operations. The principal expense of the segment consists of interest expense on funds borrowed/utilized and other allocated overheads.

Corporate/Wholesale Banking:

This segment provides loans and other banking services to Corporate and other clients where value of individual exposure to the Clients exceeds ₹.5 Crore as defined by RBI. Revenue of this segment consists of interest and fees earned on loans to such customers and charges and fees earned from other banking services. Expenses of this segment primarily consist of interest expense on funds utilized and allocated overheads

Retail banking:

Retail banking constitutes lending and other banking services to individuals/small business customers, other than corporate/wholesale banking customers, identified on the basis of RBI guidelines.

Revenue of this segment consists of interest earned on loans made to such customers and charges /fees carried from other banking services to them. The principal expenses of the segment consist of interest expenses on funds borrowed and other expenses.

Other Banking Operations

This segment includes parabanking activities like third party product distribution and other banking transactions, not covered under any of the above segments. The income from such services and associated costs are disclosed in this segment.

The operations of Subsidiary has been classified under 'Retail Banking'.

The following table sets forth, for the periods indicated, the business segment results As on 31 March 2016

(₹ in Crore)

Business Segments	Treasury	Corporate/Wholesale Banking	Retail Banking	Other Banking Operations	Total
Revenue	2281.93	2360.94	3887.92	78.56	8609.35
Result (net of provisions)	158.51	18.14	513.45	73.85	763.95
Unallocated expense					(25.44)
Operating profit (PBT)					738.51
Income taxes					(250.61)

Business Segments	Treasury	Corporate/Whole sale Banking	Retail Banking	Other Banking Operations	Total
Share of Profit of associate					(1.48)
Extraordinary profit/loss					-
Net Profit					486.41
OTHER INFORMATION					
Segment Assets	30403.98	24836.67	33835.22	26.56	89102.43
Unallocated assets					2451.96
Total assets					91554.39
Segment liabilities	27894.76	23308.96	31847.50	-	83051.22
Unallocated liabilities					439.04
Total liabilities					83490.26

As on 31 March 2015:

(₹ in Crore)

Business Segments	Treasury	Corporate/Whole sale Banking	Retail Banking	Other Banking Operations	Total
Revenue	2250.27	2349.93	3646.51	119.60	8366.31
Result (net of provisions)	342.18	333.99	769.65	103.72	1549.54
Unallocated expense					(19.97)
Operating profit (PBT)					1529.57
Income taxes					(517.48)
Share of Profit of associate					45.72
Extraordinary profit/loss					-
Net Profit					1057.81
OTHER INFORMATION					
Segment Assets	28815.23	20520.08	31106.70	24.32	80466.33
Unallocated assets					2441.96
Total assets					82908.29
Segment liabilities	26245.20	19181.63	29179.37	-	74606.20
Unallocated liabilities					601.82
Total liabilities					75208.02

B. Geographical Segment Information

The Group has reported its operations under the following geographical segments

a) Domestic Operations comprise branches in India and Subsidiary.

b) Foreign operations comprise Banking unit in International Financial Services Centre, as per para 2.2 of Annex I of RBI Circular DBR.IBD.BC 14570/ 23.13.004/2014-15 dated April 1, 2015 of the Bank.

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

As on 31 March, 2016

(₹ in Crore)

Particulars	Domestic Operations	Foreign Operations	Total
Revenue	8608.16	1.20	8609.36
Assets	91261.14	293.25	91554.39
Capital Expenditure	171.87	0.04	171.91

As on 31 March, 2015

(₹ in Crore)

Particulars	Domestic Operations	Foreign Operations	Total
Revenue	8366.32	-	8366.32
Assets	82908.29	-	82908.29
Capital Expenditure	117.18	-	117.18

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

1.5 **Related Party Disclosures**

a) Details of Related Parties:

Name of the Party	Nature of Relationship
IDBI Federal Life Insurance Company Limited	Associate
Sri. Shyam Srinivasan, Managing Director & CEO	Key Management Personnel
Sri. Ashutosh Khajuria, Executive Director & CFO (From 28-01-2016)	Key Management Personnel
Sri Abraham Chacko, Executive Director (Upto 30-04-2015)	Key Management Personnel
FedBank Hormis Memorial Foundation	Entity in which KMPs can exercise significant influence

b) Significant transactions with related parties:

(₹ Crore)

Particulars	Key Management Personnel #	
	31 March 2016	31 March 2015
Remuneration		
Sri. Shyam Srinivasan	1.12	0.78
Sri. Ashutosh Khajuria	1.02	Not Applicable
Sri Abraham Chacko	0.72	0.75
Dividend Paid	0.02	*

* Asterisk denotes figures below ₹ 1 Lakh

During the year 2015-16 - Nil(Previous Year: 641 Thousands) number of Stock Options under “ESOS 2010” Scheme were granted to Managing Director & CEO and Executive Director of the Bank.

The normal transactions of the Bank with the above persons as constituents are not reckoned for the purpose of disclosure.

Note: In accordance with RBI guidelines, details pertaining to the related party transactions , other than transaction with KMPs, have not been provided as there is only one related party in each of the above categories.

1.6 **Fixed Assets**

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

(₹ in Crore)

Particulars	31 March 2016	31 March 2015
Gross Block		
At the beginning of the year	97.46	82.87
Additions during the year	49.48	14.59
Deductions during the year	-	-
Closing Balance	146.94	97.46
Depreciation / Amortisation		
At the beginning of the year	74.78	55.70
Charge for the year	22.36	19.08
Deductions during the year	-	-
Depreciation to date	97.14	74.78
Net Block	49.80	22.68

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 valuers was credited to Revaluation Reserve.

1.7 **Deferred Tax Assets / Liability**

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

(₹ in Crore)

Particulars	31st March 2016	31st March 2015
Deferred Tax Liability		
Tax effect of items constituting deferred tax liability:		
(i) Interest accrued but not due	145.66	142.16
(ii) Depreciation on Investments	19.52	106.43
(iii) Special Reserve under Section 36 (1) (viii) of the Income Tax Act, 1961	91.35	80.28
Total (A)	**256.53**	**328.87**
Deferred Tax Asset		
Tax effect of items constituting deferred tax assets:		
(i) Interest/premium paid on purchase of securities	90.27	78.10
(ii) Provision for Standard Assets	109.45	99.24
(iii) Depreciation on Fixed Assets	3.50	3.72

Particulars	31st March 2016	31st March 2015
(iv) Others	111.45	109.11
Total (B)	314.67	**290.17**
Deferred tax liability/ (Asset) (A-B)	**(58.14)**	**38.70**
Less: Deferred tax on value of assets depreciated on expiry of useful life as on 1 April, 2014.		**1.21**
Net Deferred tax liability/ (Asset)	**(58.14)**	**37.49**

Net Deferred Asset of ₹ 95.63 Crore [Previous Year ₹ 245.50 Crore] credited to the Consolidated Profit and Loss Account.

1.8 **A. Draw Down from Reserves**

The Bank has drawn down ₹ 8.21 Crore from Investment Reserve Account in accordance with the provisions of RBI guidelines on 'Prudential Norms for Classification, Valuation and Operation of Investment Portfolio by Banks. There has been no draw down from Reserves during the year ended 31 March, 2015.

B. Details of Penalty imposed by RBI

Particulars	2015-16	2014-15
Penalty for certain operating deficiencies	0.16	0.55
Dates of Payment	Various dates	Various dates

Note : Penalty was imposed by RBI

(a) as per the Central office master circular DCM(FNVD) No. 776 / 16.01.15/ 2015-16 dated August 26, 2015 and

(b)Fake Indian Currency Note (FICN) detected in the soiled note remittance.

1.9 **Employee Benefits**

a) **Defined Contribution Plan**

The Bank

Provident Fund

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

New Pension Scheme

As per the industry level settlement dated 27th April, 2010, employees who joined the services of the Bank on or after 1st April, 2010 are not eligible for the existing pension scheme whereas they will be eligible for Defined Contributory Pension Scheme (DCPS) in line with the New Pension Scheme introduced for employees of Central Government. Employee shall contribute 10% of their Basic Pay and Dearness Allowance towards DCPS and the Bank will also make a matching contribution. There is no separate Provident Fund for employees joining on or after 1st April, 2010.

The Subsidiary

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

The Group Makes Provident Fund, Employee State Insurance Scheme Contributions and Defined Contributory Pension Scheme for Qualifying Employees. Under the schemes, the Group is required to contribute a specified percentage of the payroll costs to fund the benefits. The Group recognised ₹ 1.73 Crore (Previous year: ₹ 1.24 Crore) for provident fund contributions, ₹ 0.14 Crore (Previous Year ₹ 0.18 Crore) for Employee State Insurance Scheme Contributions and ₹ 18.95 Crore (Previous year: ₹ 13.34 Crore) for DCPS in the consolidated Profit and Loss Account. The Contributions payable to these plans by the group are at the rates specified in the Rules of the Schemes.

b) Defined benefit plan

The Group offers the following employee benefit schemes to its employees:

i. Gratuity
ii. Superannuation/Pension

Gratuity

The Bank

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

The Subsidiary

The net present value of the obligation for un-funded gratuity benefits, which is a defined benefit plan, as determined on independent actuarial valuation, conducted annually using projected unit credit method, as adjusted for unrecognized past services cost, if any, is recognised in the accounts. Actuarial gains and losses are recognised in full in the Consolidated Profit and Loss Account for the period in which they occur.

Superannuation / Pension

The Bank

The Bank provides for monthly pension, a defined benefit retirement plan (the "pension plan") covering eligible employees. The pension plan provides a monthly pension after retirement of the employees till death and to the family after the death of the pensioner. The monthly pension is based on the respective employees' salary and the tenure of employment. Vesting occurs upon completion of ten years of service. The Bank pays the monthly pension by purchasing annuities from Life Insurance Corporation of India (LIC). 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 (the "Trust"). Trustees administer contributions made to the Trust and contributions are invested in specific investments as permitted by law.

The following table as furnished by Actuary sets out the funded status of gratuity / pension plan and the amount recognized in the Group's financial statements as at March 31, 2016.

i) Change in benefit obligations

(₹ in Crore)

Particulars	Gratuity Plan				Pension Plan	
	FBL		FFSL		FBL	
	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15
Projected benefit obligation, beginning of the year	209.34	201.26	0.08	0.15	587.48	531.78
Service Cost	13.82	13.59	0.18	0.05	57.70	56.51
Interest cost	15.29	15.03	*	0.01	40.17	36.90
Actuarial (gain)/ loss	44.07	6.33	(0.06)	(0.08)	122.99	103.42
Benefits paid	(36.43)	(26.87)	(0.01)	(0.05)	(170.84)	(141.13)
Projected benefit obligation, end of the year	**246.09**	**209.34**	**0.19**	**0.08**	**637.50**	**587.48**

Asterisk denote figure below ₹ 1 Lakh

ii) Change in plan assets

(₹ in Crore)

Particulars	Gratuity Plan				Pension Plan	
	FBL		FFSL		FBL	
	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15
Plan assets at beginning of the year at fair value	223.52	230.83	-	-	544.40	416.25
Expected return on plan assets	18.55	20.52	-	-	47.58	36.96
Actuarial gain/(loss)	(0.65)	(0.96)	-	-	(0.58)	3.56
Employer's Contributions	20.67	-	-	-	157.71	228.76
Benefits paid	(36.43)	(26.87)	-	-	(170.84)	(141.13)
Plan assets at end of the year, at fair value	225.66	223.52	-	-	578.27	544.40

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

(₹ in Crore)

Particulars	Gratuity Plan				Pension Plan	
	FBL		FFSL		FBL	
	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15
Fair value of plan assets at the end of the year	225.66	223.52	-	-	578.27	544.40
Present value of the defined benefit obligations at the end of the year	246.09	209.34	0.19	0.08	637.50	587.48
Liability/ (Asset) recognized in the Consolidated Balance Sheet	20.43	(14.18)	0.19	0.08	59.23	43.08

iv) Gratuity / pension cost for the year ended 31 March, 2016

(₹ in Crore)

Particulars	Gratuity Plan				Pension Plan	
	FBL		FFSL		FBL	
	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15
Service cost	13.82	13.59	0.18	0.05	57.70	56.51
Interest cost	15.29	15.03	*	0.01	40.17	36.90
Expected return on plan assets	(18.55)	(20.52)	-	-	(47.58)	(36.96)
Actuarial (gain)/loss	44.72	7.29	(0.06)	(0.08)	123.57	99.86
Employee Cost	55.28	15.39	0.12	(0.02)	173.86	156.31
Amortisation Cost	-	-	-	-	-	33.68
Net Cost Debit to Consolidated Profit and Loss Account	55.28	15.39	0.12	(0.02)	173.86	189.99
Actual return on plan assets	17.90	19.56	-	-	47.00	40.52

Asterisk denote figure below ₹ 1 Lakh

v) Investment details of plan Assets

(₹ in Crore)

Particulars	Gratuity Plan				Pension Plan	
	FBL		FFSL		FBL	
	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15
Central and state Government bonds	7.13	40.13	NA	NA	7.13	129.72
Other debt securities	16.35	27.15	NA	NA	16.35	79.05
Balance in Saving bank account with the Bank	0.66	2.14	NA	NA	0.66	56.83
Net current assets	0.82	1.89	NA	NA	0.82	5.88
Balance with LIC #	200.70	152.21	NA	NA	200.70	272.92
Total	**225.66**	223.52	NA	NA	**225.66**	544.40

NA – Not Applicable.

In the absence of detailed information regarding plan assets which is funded with Life Insurance Corporation of India, 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

a) **FBL** (₹ in Crore)

Particulars	**2015-16**	**2014-15**	**2013-14**	**2012-13**	**2011-12**
Defined Benefit Obligations	246.09	209.34	201.26	240.13	225.25
Plan Assets	225.66	223.52	230.83	221.67	198.87
Surplus/[Deficit]	(20.43)	14.18	29.57	(18.46)	(26.38)
Experience adjustments on Plan Liabilities [Gain/(Loss)]	(46.00)	(6.31)	(5.74)	17.02	0.03
Experience Adjustments on Plan Assets [Gain/ (Loss)]	(1.97)	1.19	1.76	22.33	0.64

b) **FFSL** (₹ in Crore)

Particulars	**2015-16**	**2014-15**	**2013-14**	**2012-13**	**2011-12**
Defined Benefit obligations	0.19	0.08	0.15	0.08	0.04
Plan Assets	Nil	Nil	Nil	Nil	Nil
Surplus/[Deficit]	(0.19)	(0.08)	(0.15)	(0.08)	(0.04)
Experience adjustments on Plan Liabilities [Gain/ (Loss)]	1.00	(0.03)	(0.02)	0.04	(0.02)
Experience adjustments on Plan Assets [Gain/(Loss)]	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable

ii) Pension Plan

FBL

(₹ in Crore)

Particulars	2015-16	2014-15	2013-14	2012-13	2011-12
Defined Benefit Obligations	637.50	587.48	531.78	584.12	598.76
Plan Assets	578.27	544.40	416.25	444.17	422.62
Surplus/[Deficit]	(59.23)	(43.08)	(115.53)	(139.95)	(176.14)
Experience adjustments on Plan Liabilities [Gain/(Loss)]	(142.49)	(79.75)	(8.18)	(1.22)	450.11
Experience adjustments on Plan Assets [Gain/(Loss)]	0.18	2.19	3.03	1.38	0.96

vii) Assumptions

Particulars	Gratuity Plan				Pension Plan	
	FBL		FFSL		FBL	
	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15
Discount rate	8.00%	8.00%	7.83%	7.74%	8.00%	8.00%
Annuity rate per Rupee	-	-	-	-	126.18297	126.18297
Salary escalation rate	5.00%	5.10%	7.75%	6.00%	5.00%	5.10%
Estimated rate of return on plan assets	8.30%	8.89%	-	-	8.74%	8.88%
Attrition Rate	3.00%	3.00%	Not Available	Not Available	3.00%	3.00%
Mortality Table	IALM 2006-08 Ultimate	IALM 2006-08 Ultimate	IALM 2006-08 Ultimate	IALM 2006-08 Ultimate	IALM 2006-08 Ultimate	IALM 2006-08 Ultimate

The estimates of future salary increases 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.

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

The Bank

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

A sum of ₹ 2.72 Crore (Previous year: ₹ 8.73 Crore) has been provided towards the above liabilities in accordance with AS 15 based on actuarial valuation.

The Subsidiary

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

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

(₹ in Crore)

	As at 31 March, 2016		**As at 31 March, 2015**	
	FBL	**FFSL**	**FBL**	**FFSL**
Privilege leave	131.15	0.19	120.89	0.23
Sick leave	20.97	-	30.93	-
Leave Travel Concession	13.18	-	11.03	-
Casual Leave	1.09	-	0.82	-
Total actuarial liability	166.39	0.19	163.67	0.23
Assumptions				
Discount rate	8.00%	7.83%	8.00%	7.74%
Salary escalation rate	5.00%	7.75%	5.10%	6.00%
Attrition Rate	3.00%	Not Available	3.00%	Not Available

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

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

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

1.10 **Provisions and Contingencies**

a) Movement in provision for frauds included under other liabilities:

(₹ in Crore)

	31 March, 2016	**31 March, 2015**
Balance at the beginning of the year	6.64	5.32
Additions during the year	0.42	2.30
Reductions on account of payments during the year	-	-
Reductions on account of reversals during the year	1.24	0.98
Balance at the end of the year	**5.82**	**6.64**

b) Movement in provision for debit card reward points:

(₹ in Crore)

	31 March, 2016	31 March, 2015
Balance at the beginning of the year	2.25	1.00
Provision made during the year	0.77	2.76
Reductions during the year	1.10	1.51
Balance at the end of the year *	**1.92**	**2.25**

* The closing provision is based on the actuarial valuation of accumulated debit card reward points. This amount will be utilised towards redemption of the debit card reward points.

c) Movement in provision for other contingencies:

(₹ in Crore)

	31 March, 2016	31 March, 2015
Balance at the beginning of the year	145.54	142.05
Provision made during the year	29.23	17.47
Reductions during the year	134.74	13.98
Balance at the end of the year	**40.03**	**145.54**

d) Movement in floating provision:

(₹ in Crore)

Particulars	Standard Assets Provisions		NPA Provision	
	2015-16	2014-15	2015-16	2014-15
Opening balance	12.75	25.50	138.18	179.52
Provision made during the year	-	-	-	-
Draw down from provision *	12.75	12.75	69.00	41.34
Closing balance	12.75	12.75	69.18	138.18

* Floating provision has been utilised in accordance with RBI circulars DBOD.No.BP.95/21.04.048/2013-14 dated February 7, 2014 and DBR.No.BP.BC.79/21.04.048/2014-15 dated March 30, 2015.

1.11 Loss on Sale of Non Performing Assets

During the year ended March 31,2016, the Bank had assigned certain Non performing financial assets to Asset Reconstruction Companies. In terms of RBI Master Circular DBR.No.BP.BC.2/21.04.048/2015-16 on Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances dated July 1, 2015, the shortfall arrived at by deducting sale consideration from the Net Book value of the financial assets, amounting to ₹ 122.14 Crore, is amortised over a period of two years. Accordingly, the bank has charged to the profit and loss account an amount of ₹ 35.41 Crore during the year ended March 31,2016 (Previous Year :Nil) and the balance of ₹ 86.73 Crore will be amortised over the next four quarters.

1.12 **Description of contingent liabilities:**

a) Claims against the Group not acknowledged as debts

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

b) Liability on account of forward exchange and derivative contracts

The Bank enters into Forward exchange contracts on its own account and on behalf of its customers. Forward exchange contracts are commitments to buy or sell foreign currency at a future date at the contracted rate.

c) Guarantees given on behalf of constituents

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

d) Acceptances, endorsements and other obligations

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

e) Other items for which bank is contingently liable

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

Refer schedule 12 for amounts relating to contingent liability

1.13 **Provision for Long Term contracts**

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

1.14 **Small and Micro Industries**

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

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

31st March, 2016

Name of the entity	Net Assets i.e. total assets minus total liabilities		Share of profit or loss	
	As % of Consolidated Net Assets	Amount (₹ in Crore)	As % of Consolidated Profit or Loss	Amount (₹ in Crore)
Parent: The Federal Bank Limited	100.34%	8091.22	97.79%	475.65
Subsidiary: Fedbank Financial Services Limited	0.22%	17.93	2.52%	12.25
Associate: IDBI Federal Life Insurance Company Limited	(0.56%)	(45.03)	(0.31%)	(1.48)
Total	**100%**	**8064.12**	**100%**	**486.42**

31st March, 2015

Name of the entity	Net Assets i.e. total assets minus total liabilities		Share of profit or loss	
	As % of Consolidated Net Assets	Amount (₹ in Crore)	As % of Consolidated Profit or Loss	Amount (₹ in Crore)
Parent: The Federal Bank Limited	100.49%	7738.13	95.08%	1005.75
Subsidiary: Fedbank Financial Services Limited	0.07%	5.68	0.60%	6.34
Associate: IDBI Federal Life Insurance Company Limited	(0.56%)	(43.54)	4.32%	45.72
Total	**100.00%**	**7700.27**	**100.00%**	**1057.81**

1.16. **Additional disclosure**

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

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

For and on behalf of the Board of Directors

Krishnakumar K Ganapathy	Girish Kumar	Ashutosh Khajuria	Shyam Srinivasan
Deputy General Manager	Company Secretary	Executive Director & CFO	Managing Director & CEO

Nilesh S Vikamsey
Chairman

Directors:

Sudhir M Joshi

K M Chandrasekhar

Dilip G Sadarangani

Harish H Engineer

Grace Elizabeth Koshie

Shubhalakshmi Panse

C Balagopal

Place: Kochi
Date: 30th April, 2016

Deloitte Haskins & Sells
Chartered Accountants
Wilmont Park Business Centre
1st Floor, Warriam Road
Kochi - 682 016
INDIA
Tel : +91 484 2353694
Fax: +91 484 2380094

M P Chitale & Co.
Chartered Accountants
First Floor, Hamam House
Ambalal Doshi Marg, Fort
Mumbai – 400 001
INDIA
Tel : +91 22 22651186
Fax: +91 22 22655334

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF
THE FEDERAL BANK LIMITED

Report on the Standalone Financial Statements

We have audited the accompanying standalone financial statements of **THE FEDERAL BANK LIMITED** (herein after referred to as "the Bank"), which comprise the Balance Sheet as at 31st March 2015, the Profit and Loss Account and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information. Incorporated in these financial statements are the returns of 57 branches / offices of the Bank audited by one of us and 1220 branches / offices audited by the branch auditors of the Bank's branches.

Managements' Responsibility for the Standalone Financial Statements

The Bank's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("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 provisions of Section 29 of the Banking Regulation Act, 1949, the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 in so far as they apply to banks and guidelines issued by Reserve Bank of India. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding 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 financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these standalone financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Bank's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Bank has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Bank's Directors, as well as evaluating the overall presentation of the financial statements.

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.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements together with the notes thereon give the information required by the Banking Regulation Act, 1949 as well as the Companies Act, 2013, in the manner so required for the Banking Companies and give a true and fair view of the state of affairs of the Bank as at 31st March 2015, and its profit and its cash flows for the year ended on that date.

Emphasis of Matter

We draw attention to Note No. 2.11 of Schedule 18 to the Financial Statements which describes proportionate charge of pension liability of the Bank amounting to ₹ 33.68 Crore to the Profit and Loss Account and the balance unamortised pension liability of ₹ Nil (₹ 33.68 Crore as at 31st March 2014), included in Schedule 11 to the Financial Statements, pursuant to the exemption from the application of the provisions of the Accounting Standard (AS) 15, Employee Benefits, granted by the Reserve Bank of India and made applicable to the Bank vide letter no. DBOD No.BP.BC.15896 / 21.04.018 / 2010-11 dated April 8, 2011.

Our Opinion is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements

As required by Section 143 (3) of the Companies Act, 2013 and Section 30 of the Banking Regulation Act, 1949 we report that:

(i) 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.

(ii) The transactions of the Bank, which have come to our notice, have been within the powers of the Bank.

(iii) In our opinion, proper books of account as required by law have been kept by the Bank so far as it appears from our examination of those books and proper returns adequate for the purpose of our audit have been received from the branches not visited by us.

(iv) The reports on the accounts of the branch offices audited by the branch auditors of the Bank under Section 143(8) of the Companies Act, 2013 have been sent to us and have been properly dealt with by us in preparing this report.

(v) The Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by us in the Report are in agreement with the books of account and with the returns received from branches not visited by us.

(vi) In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.

(vii) On the basis of the written representations received from the directors as on 31st March 2015 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March 2015 from being appointed as a director in terms of Section 164 (2) of the Act.

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

a) The Bank has disclosed the impact of pending litigations on its financial position in its financial statements - Refer Note 2.13 of Schedule 18 to the financial statements;

b) The Bank has made provision, as required under the applicable law or Accounting Standard for material forseeable losses, if any, on long-term contracts including derivative contracts – Refer Note 2.14 of Schedule 18 to the financial statements.

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

For **Deloitte Haskins & Sells**
Chartered Accountants
(Firm's Registration No.008072S)

M. Ramachandran
Partner
(Membership No.16399)

For **M P Chitale & Co.**
Chartered Accountants
(Firm's Registration No.101851W)

Ashutosh Pednekar
Partner
(Membership No.41037)

KOCHI, 29th April, 2015.

THE FEDERAL BANK LIMITED
BALANCE SHEET AS AT 31st MARCH 2015

(` in Thousands)

	Sch No.	As at 31 March 2015	As at 31 March 2014
CAPITAL AND LIABILITIES			
Capital	1	1,713,306	1,710,619
Reserves and Surplus	2	75,668,045	67,795,282
Deposits	3	708,249,928	597,312,817
Borrowings	4	23,082,411	56,879,584
Other Liabilities and Provisions	5	19,791,113	22,243,166
Total		**828,504,803**	**745,941,468**
ASSETS			
Cash and Balances with Reserve Bank of India	6	33,795,429	31,042,930
Balances with banks and money at call and short notice	7	14,004,536	14,250,860
Investments	8	244,091,947	241,178,528
Advances	9	512,849,914	434,361,038
Fixed assets	10	4,666,314	4,249,551
Other assets	11	19,096,663	20,858,561
Total		**828,504,803**	**745,941,468**
Contingent liabilities	12	172,148,242	234,819,883
Bills for collection		12,216,604	12,095,403
Significant Accounting Policies	17		
Notes on Accounts	18		
Schedules referred to above form an integral part of the Balance Sheet			

For and on behalf of the Board of Directors

Krishnakumar K
Deputy General Manager

Girish Kumar Ganapathy
Company Secretary

Abraham Chacko
Executive Director

Shyam Srinivasan
Managing Director & CEO

D. Sampath
General Manager & CFO

Prof. Abraham Koshy
Chairman

In terms of our report attached

For **Deloitte Haskins & Sells**
Chartered Accountants

M Ramachandran
Partner

For **M P Chitale & Co.**
Chartered Accountants

Ashutosh Pednekar
Partner

Directors:

Nilesh S Vikamsey

Sudhir M Joshi

K M Chandrasekhar

Dilip G Sadarangani

Harish H Engineer

Grace Elizabeth Koshie

Shubhalakshmi Panse

Place: Kochi
Date : 29th April 2015

THE FEDERAL BANK LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2015

(` in Thousands)

	Sch No.	Year ended 31 March 2015	Year ended 31 March 2014
I. INCOME			
Interest earned	13	74,194,677	69,460,806
Other income	14	8,783,059	6,938,498
Total		**82,977,736**	**76,399,304**
II. EXPENDITURE			
Interest expended	15	50,390,589	47,174,660
Operating expenses	16	16,309,327	14,420,708
Provisions and contingencies		6,220,315	6,415,059
Total		**72,920,231**	**68,010,427**
III. PROFIT/LOSS			
Net profit for the year		**10,057,505**	**8,388,877**
Profit brought forward from Previous Year		7,873,601	5,163,892
		17,931,106	**13,552,769**
IV. APPROPRIATIONS			
Transfer to Revenue Reserve		1,098,710	1,030,700
Transfer to Statutory Reserve		2,516,648	2,097,300
Transfer to Capital Reserve		287,560	179,520
Transfer to Investment Reserve Account		462,770	-
Transfer to Special Reserve		350,000	382,300
Dividend (including tax/cess thereon) pertaining to previous year paid during the year		207	-
Proposed dividend		1,884,643	1,710,624
Tax on proposed dividend		383,700	278,724
Depreciation on Expired assets (Note 2.8 of Schedule 18)		23,193	-
Balance carried over to Balance Sheet		10,923,675	7,873,601
Total		**17,931,106**	**13,552,769**
Earnings per Share (Basic and Diluted) (₹) (Face value of ₹ 2/- each) (Note 2.1 of Schedule 18)		11.75	9.81
Significant Accounting policies	17		
Notes on Accounts	18		
Schedules referred to above form an integral part of the Profit and Loss account			

For and on behalf of the Board of Directors

Krishnakumar K
Deputy General Manager

Girish Kumar Ganapathy
Company Secretary

Abraham Chacko
Executive Director

Shyam Srinivasan
Managing Director & CEO

D. Sampath
General Manager & CFO

Prof. Abraham Koshy
Chairman

In terms of our report attached

For **Deloitte Haskins & Sells**
Chartered Accountants

M Ramachandran
Partner

For **M P Chitale & Co.**
Chartered Accountants

Ashutosh Pednekar
Partner

Directors:

Nilesh S Vikamsey

Sudhir M Joshi

K M Chandrasekhar

Dilip G Sadarangani

Harish H Engineer

Grace Elizabeth Koshie

Shubhalakshmi Panse

Place: Kochi
Date : 29th April, 2015

THE FEDERAL BANK LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH, 2015

(` in Thousands)

	Year ended 31 March 2015	Year ended 31 March 2014
Cash Flow from Operating Activities		
Net Profit before taxes	15,210,405	12,119,877
Adjustments for:		
Depreciation on Bank's Property	745,946	937,369
Depreciation on Investments	(934,725)	1,115,918
Amortisation of Premium on Held to Maturity Investments	321,114	296,864
Provision for Non Performing Investments	128,600	-
Provision for Non Performing Assets (Including Bad Debts)	2,043,463	2,282,224
Provision on Standard Assets	541,000	127,000
Withdrawal from floating provision for standard asset	(127,500)	-
Profit on sale of fixed assets (net)	(2,433)	(12,753)
Provision for Restructutred assets	(552,300)	(844,306)
Provision for Other Contingencies	(31,123)	3,223
	17,342,447	**16,025,416**
Adjustments for working capital changes:-		
(Increase)/ Decrease in Investments *(excluding Held to Maturity Investments)*	10,017,907	(24,859,250)
(Increase)/ Decrease in Advances	(80,532,339)	4,323,767
(Increase)/ Decrease in Other Assets	197,960	(292,753)
Increase/ (Decrease) in Deposits	110,937,111	21,164,184
Increase/ (Decrease) in Other liabilities and provisions	(287,659)	2,295,152
Direct taxes paid	(6,038,663)	(6,408,899)
Net Cash Flow from Operating Activites	**51,636,764**	**12,247,617**
Cash Flow from Investing Activities		
Purchase of Fixed Assets	(1,207,817)	(1,207,357)
Proceeds from Sale of Fixed Assets	12,404	29,917
(Increase)/ Decrease in Held to Maturity Investments	(12,446,314)	(6,186,152)
Net Cash Used in Investing Activities	**(13,641,727)**	**(7,363,592)**
Cash Flow from Financing Activities		
Proceeds from Issue of Share Capital (ESOS)	2,687	32
Proceeds from Share Premium	107,001	1,324
Repayment of Subordibate Debt	(300,000)	-
Increase/(Decrease) in Borrowings (Excluding Subordinate Debt)	(33,497,172)	5,009,676
Dividend Paid (Including Tax on Dividend)	(1,801,378)	(1,801,171)
Net Cash generated from financing Activities	**(35,488,862)**	**3,209,861**
Net Increase in Cash and Cash Equivalents	**2,506,175**	**8,093,886**

Cash and Cash Equivalents at the beginning of year	45,293,790	37,199,904
Cash and Cash Equivalents at the end of year	47,799,965	45,293,790

Note:
Cash and cash equivalents comprise of cash on hand (including foreign currency notes), Balances with Reserve Bank of India, Balance with Banks and money at call and short notice (Refer schedules 6 and 7 of the Balance sheet)

For and on behalf of the Board of Directors

Krishnakumar K
Deputy General Manager

Girish Kumar Ganapathy
Company Secretary

Abraham Chacko
Executive Director

Shyam Srinivasan
Managing Director & CEO

D. Sampath
General Manager & CFO

Prof. Abraham Koshy
Chairman

In terms of our report attached

For **Deloitte Haskins & Sells**
Chartered Accountants

For **M P Chitale & Co.**
Chartered Accountants

M Ramachandran
Partner

Ashutosh Pednekar
Partner

Directors:
Nilesh S Vikamsey
Sudhir M Joshi
K M Chandrasekhar
Dilip G Sadarangani
Harish H Engineer
Grace Elizabeth Koshie
Shubhalakshmi Panse

Place: Kochi
Date : 29th April, 2015

THE FEDERAL BANK LIMITED

SCHEDULES FORMING PART OF THE BALANCE SHEET

(` in Thousands)

	As at 31 March 2015	As at 31 March 2014
SCHEDULE 1 - CAPITAL		
Authorised Capital 250,00,00,000 (Previous year 250,00,00,000) Equity Shares of ₹ 2/- each)	5,000,000	5,000,000
Issued Capital 85,80,04,242 (Previous year 85,66,63,830) Equity Shares of ₹ 2/-each	1,716,008	1,713,327
Subscribed, Called up and Paid up Capital 85,66,55,197 (Previous year 85,53,11,785) Equity Shares of ₹2/-each	1,713,310	1,710,623
Less: Calls in arrears	4	4
Total	**1,713,306**	**1,710,619**
Note: Refer Note 2.2 of Schedule 18		

THE FEDERAL BANK LIMITED

SCHEDULES FORMING PART OF THE BALANCE SHEET

(` in Thousands)

	As at 31 March 2015	As at 31 March 2014
SCHEDULE 2 - RESERVES AND SURPLUS		
I. Statutory Reserve		
Opening balance	14,887,476	12,790,176
Additions during the year	2,516,648	2,097,300
	17,404,124	**14,887,476**
II. Capital Reserves		
(a) Revaluation Reserve		
Opening balance	50,091	52,065
Deductions during the year	-	1,974
	50,091	**50,091**
(b) Others		
Opening balance	2,065,213	1,885,693
Additions during the year*	287,560	179,520
	2,352,773	**2,065,213**
	2,402,864	**2,115,304**
III. Share premium		
Opening balance	24,761,957	24,760,633
Additions during the year#	107,001	1,324
	24,868,958	**24,761,957**
IV. Revenue and Other Reserves		
a) Revenue Reserve		
Opening Balance	13,418,841	12,927,741
Additions during the year	1,098,710	1,030,700
Deductions during the year$	-	539,600
	14,517,551	**13,418,841**
b) Investment Fluctuation Reserve		
Opening Balance	1,897,200	1,897,200
Additions during the year	-	-
	1,897,200	**1,897,200**
c) Special Reserve (As per section 36(1)(viii) of Income Tax Act)		
Opening balance	2,539,900	2,157,600
Addition during the year	350,000	382,300
	2,889,900	**2,539,900**
V. Investment Reserve Account		
Opening Balance	-	-
Additions during the year (Refer Note 1.4.2(d) of Schedule 18)	462,770	-
	462,770	**-**
VI. Contingency Reserve		
Opening balance	301,003	301,003
	301,003	**301,003**
VII. Balance in Profit and Loss Account	**10,923,675**	**7,873,601**
Total	**75,668,045**	**67,795,282**

* - 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 ₹ 286,163 Thousands (Previous year ₹ 179,520 Thousands) [Refer Note 1.4.2(c)]
b) Profit on sale of Land ₹ 1,397 Thousands (Previous year ₹ NIL)

- Represents amount received on exercise of Employee stock options
$ - Deduction being deferred tax liability of earlier years in respect of special reserve created under section 36 (1) (viii) of the Income tax Act, 1961 - Refer Note 1.12 of Schedule 18

THE FEDERAL BANK LIMITED

SCHEDULES FORMING PART OF THE BALANCE SHEET

(` in Thousands)

	As at 31 March 2015	As at 31 March 2014
SCHEDULE 3 - DEPOSITS		
A. I. Demand Deposits		
i. From Banks	787,120	1,226,606
ii. From Others	39,778,774	32,569,220
	40,565,894	**33,795,826**
II. Savings Bank Deposits	**177,269,068**	**152,842,589**
III. Term Deposits		
i. From Banks	24,384,519	6,974,416
ii. From Others	466,030,447	403,699,986
	490,414,966	**410,674,402**
Total	**708,249,928**	**597,312,817**
B. I. Deposits of branches in India	708,249,928	597,312,817
II. Deposits of branches outside India	-	-
Total	**708,249,928**	**597,312,817**
SCHEDULE 4 - BORROWINGS		
I.Borrowings in India		
i. Reserve Bank of India	-	4,450,000
ii. Other Banks #	322,000	322,000
iii. Other institutions and agencies ##	19,638,127	41,011,343
	19,960,127	**45,783,343**
II.Borrowings outside India	3,122,284	11,096,241
Total	**23,082,411**	**56,879,584**
Secured borrowings included in I and II above	3,181,169	15,364,797
# Represents Subordinated Debt in the nature of Non Convertible debentures included in Tier - II capital. ## Borrowings from other Institutions and agencies include Subordinated Debt of ₹ 1,678,000 Thousands (Previous Year ₹1,978,000 Thousands) in the nature of Non Convertible Debentures (included in Tier - II capital).		
SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS		
I. Bills Payable	189,506	228,420
II. Inter - office adjustments (Net)	2,227,182	1,928,272
III. Interest accrued	2,170,039	1,726,253
IV. Others (including provisions)*	15,204,386	18,360,221
Total	**19,791,113**	**22,243,166**
*Includes :-		
(a) Contingent provision against standard assets	2,869,281	2,455,781
(b) Proposed Dividend	1,884,643	1,710,624
(c) Tax on Proposed Dividend	383,700	278,724
(d) Deferred Tax Liability (Net)	394,957	2,856,600

THE FEDERAL BANK LIMITED

SCHEDULES FORMING PART OF THE BALANCE SHEET

(` in Thousands)

	As at 31 March 2015	As at 31 March 2014
SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA		
I. Cash in hand (including foreign currency notes)	6,555,687	6,042,367
II. Balance with Reserve Bank of India		
i. in Current Accounts	27,239,742	25,000,563
ii. in Other Accounts	-	-
Total	**33,795,429**	**31,042,930**
SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE		
I. In India		
i. Balances with banks		
a. in Current Accounts	1,922,567	1,548,823
b. in Other Deposit Accounts	3,112,480	4,183,956
ii. Money at call and short notice		
a. With Banks	2,000,000	-
b. With other institutions	-	-
Total	**7,035,047**	**5,732,779**
II. Outside India		
i. in Current Accounts	719,489	129,981
ii. in Other Deposit Accounts	6,250,000	8,388,100
iii. Money at call and short notice	-	-
Total	**6,969,489**	**8,518,081**
Grand Total (I and II)	**14,004,536**	**14,250,860**

THE FEDERAL BANK LIMITED

SCHEDULES FORMING PART OF THE BALANCE SHEET

(` in Thousands)

	As at 31 March 2015	As at 31 March 2014
SCHEDULE 8 - INVESTMENTS		
I. Investments in India in :		
i. Government Securities ## **	168,806,514	158,230,694
ii. Other approved Securities	-	-
iii. Shares	1,780,164	1,757,652
iv. Debentures and Bonds	8,006,742	11,360,514
v. Subsidiaries/ Joint Ventures	3,980,000	3,980,000
vi. Others [Certificate of Deposits (CDs), Priority Sector Deposits, Pass Through Certificates (PTCs) etc.] @	61,818,603	65,849,668
Total	**244,392,023**	**241,178,528**
II. Investments outside India	-	-
Grand Total (I and II)	**244,392,023**	**241,178,528**
Gross Investments	244,392,023	242,284,750
Less: Depreciation/ Provision for Investments	300,076	1,106,222
Net Investments	**244,091,947**	**241,178,528**

Securities costing ₹ 53,495,978 Thousands (Previous Year ₹ 57,241,552 Thousands) pledged for availment of fund transfer facility, clearing facility and margin requirements

** Net of Repo borrowing of ₹ 24,336,000 Thousands (previous year ₹ 27,768,000 Thousands) under the Liquidity Adjustment Facility in line with the RBI requirements

@ Includes priority sector shortfall deposits ₹ 38,403,772 Thousands (previous year ₹ 35,053,818 Thousands) and PTCs of ₹ 928,780 Thousands (Previous Year ₹ 1,057,166 Thousands) net of depreciation, if any.

THE FEDERAL BANK LIMITED

SCHEDULES FORMING PART OF THE BALANCE SHEET

(` in Thousands)

	As at 31 March 2015	As at 31 March 2014
SCHEDULE 9 - ADVANCES (NET OF PROVISIONS)		
A. i. Bills purchased and discounted	13,260,651	13,028,687
ii. Cash credits, overdrafts and loans repayable on demand	284,125,237	229,774,824
iii. Term loans	215,464,026	191,557,527
Total	**512,849,914**	**434,361,038**
B. i. Secured by tangible assets $	444,358,695	374,677,783
ii. Covered by Bank/Government guarantees #	25,821,130	20,433,617
iii. Unsecured	42,670,089	39,249,638
Total	**512,849,914**	**434,361,038**
C. I. Advances in India		
i. Priority Sectors	173,402,580	155,132,546
ii. Public Sector	35,182,365	7,718,318
iii. Banks	7,540	46,614
iv. Others	304,257,429	271,463,560
Total	**512,849,914**	**434,361,038**
II.Advances outside India	-	-
Grand Total (C I and C II)	**512,849,914**	**434,361,038**
$ Includes Advances against book debts		
# Includes advances against L/Cs issued by banks		

THE FEDERAL BANK LIMITED

SCHEDULES FORMING PART OF THE BALANCE SHEET

(` in Thousands)

	As at 31 March 2015	As at 31 March 2014
SCHEDULE 10 - FIXED ASSETS		
I OWNED ASSETS		
a.Premises #		
Gross Block		
At the beginning of the year	2,263,552	2,231,549
Additions during the year	35,292	32,003
Deductions during the year	1,191	-
Closing Balance	**2,297,653**	**2,263,552**
Depreciation		
As at the beginning of the year	684,730	628,015
Charge for the Year	56,434	56,715
Deductions during the year	-	-
Depreciation to date	**741,164**	**684,730**
Net Block	**1,556,489**	**1,578,822**
b.Other fixed assets		
(including furniture and fixtures)		
Gross Block		
At the beginning of the year	6,910,217	6,056,767
Additions during the year	1,132,916	973,105
Deductions during the year	69,941	119,655
Closing Balance	**7,973,192**	**6,910,217**
Depreciation		
As at the beginning of the year	4,465,692	3,689,389
Charge for the year*	724,650	882,628
Deductions during the year	61,162	106,325
Depreciation to date	**5,129,180**	**4,465,692**
Net Block	**2,844,012**	**2,444,525**
II ASSETS GIVEN ON LEASE		
Gross Block		
At the beginning of the year	-	31,013
Additions during the year	-	-
Deductions during the year	-	31,013
Closing Balance	**-**	**-**
Depreciation		
As at the beginning of the year	-	27,179
Charge for the year	-	-
Deductions during the year	-	27,179
Depreciation to date	**-**	**-**
Net Block	**-**	**-**
III. Capital Work in progress (Including Capital Advances)	**265,813**	**226,204**
Total (I , II & III)	**4,666,314**	**4,249,551**

 # Includes buildings constructed on leasehold land at different places having original cost of ₹ 655,643 Thousands (Previous Year ₹ 655,216 Thousands) and Written down value of ₹ 520,026 Thousands (Previous Year ₹ 534,357 Thousands) with remaining lease period varying from 61 -73 years

** - Net of reversal of excess depreciation pursuant to change in depreciaion method [Refer Note 2.8 of Schedule 18]*

THE FEDERAL BANK LIMITED

SCHEDULES FORMING PART OF THE BALANCE SHEET

(` in Thousands)

	As at 31 March 2015	As at 31 March 2014
SCHEDULE 11 - OTHER ASSETS		
I. Inter - office adjustments (net)	-	-
II. Interest accrued	5,496,770	5,069,282
III. Tax paid in advance/Tax Deducted at source (Net of provision)	9,311,672	10,875,609
IV. Stationery and Stamps	34,239	35,017
V. Non-banking assets acquired in satisfaction of claims*	5,953	4,439
VI. Others	4,248,029	4,874,214
Total	**19,096,663**	**20,858,561**
* - Includes certain Non-Banking assets acquired in satisfaction of claims which are in the process of being transferred in the Bank's name		
SCHEDULE 12 - CONTINGENT LIABILITIES		
I. Claims against the Bank not acknowledged as debts	3,237,495	3,273,140
II. Liability on account of outstanding forward exchange contracts	126,308,293	182,064,511
III. Guarantees given on behalf of constituents - in India	32,601,130	37,327,370
IV. Acceptances, endorsements and other obligations	9,004,087	12,154,862
V. Other items for which the Bank is contingently liable[@]	997,237	-
Total	**172,148,242**	**234,819,883**
(Refer Note 2.13 of Schedule 18) @ - includes ₹ 667,960 Thousands (₹ Nil as on March 31, 2014) being amount transferred to DEAF Cell, RBI and outstanding, as per RBI circular DBOD.No.DEAF Cell.BC.114/30.01.002/2013-14.		

THE FEDERAL BANK LIMITED

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT

(` in Thousands)

	Year ended 31 March 2015	Year ended 31 March 2014
SCHEDULE 13 - INTEREST EARNED		
I. Interest/discount on advances/bills	54,468,334	50,110,836
II. Income on investments	18,359,245	17,768,285
III. Interest on balances with Reserve Bank of India and other inter-bank funds	623,602	523,541
IV. Others*	743,496	1,058,144
Total	**74,194,677**	**69,460,806**
* - Includes interest on Income tax refunds amounting to ₹ 704,797 Thousands (Previous year ₹ 1,011,667 Thousands) accounted based on Assessment orders received.		
SCHEDULE 14 - OTHER INCOME		
I. Commission, exchange and brokerage	3,811,456	3,338,389
II. Profit on sale of investments (Net)	2,556,674	1,562,329
III. Profit on revaluation of investments (Net)	-	-
IV. Profit on sale of land, buildings and other assets (Net)	2,433	12,753
V. Profit on foreign exchange transactions (Net)	1,162,068	1,250,941
VI. Income earned by way of dividends etc. from companies in India	71,756	147,166
VII. Miscellaneous income	1,178,672	626,920
[Includes Recoveries in assets written off ₹ 1,067,534 Thousands (Previous year ₹ 415,324 Thousands)]		
Total	**8,783,059**	**6,938,498**

THE FEDERAL BANK LIMITED

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT

(` in Thousands)

	Year ended 31 March 2015	Year ended 31 March 2014
SCHEDULE 15 - INTEREST EXPENDED		
I. Interest on deposits	46,275,055	42,094,557
II. Interest on Reserve Bank of India/Inter bank borrowings	587,683	1,121,393
III. Others	3,527,851	3,958,710
Total	**50,390,589**	**47,174,660**
SCHEDULE 16 - OPERATING EXPENSES		
I. Payments to and provisions for employees	8,919,615	7,715,393
II. Rent, taxes and lighting	1,841,525	1,612,409
III. Printing and stationery	169,076	154,430
IV. Advertisement and publicity	389,984	206,250
V. Depreciation on Bank`s property (Refer Note 2.8 of Schedule 18)	745,946	939,343
Less: Depreciation on revaluation of Premises transferred from Revaluation Reserve	-	1,974
	745,946	937,369
VI. Directors' fees, allowances and expenses	19,864	11,476
VII. Auditors' fees and expenses (including branch auditors fees and expenses)	69,195	57,559
VIII. Law charges	72,781	43,404
IX. Postage, Telegrams, Telephones etc	454,936	434,685
X. Repairs and maintenance	466,148	413,152
XI. Insurance	621,941	579,437
XII. Other expenditure*	2,538,316	2,255,144
Total	**16,309,327**	**14,420,708**
* - Includes expenditure on Corporate Social Responsibility ₹ 72,772 Thousands		

THE FEDERAL BANK LIMITED

SCHEDULE 17 : SIGNIFICANT ACCOUNTING POLICIES APPENDED TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2015

1 **Background**

The Federal Bank Limited ('the Bank') was incorporated in 1931 as Travancore Federal Bank Limited to cater to the banking needs of Travancore Province. It embarked on a phase of sustained growth under the leadership of Late K.P. Hormis. The Bank has a network of 1277 branches / offices in India and provides retail and corporate banking, para banking activities such as debit card, third party product distribution etc., treasury and foreign exchange business. The bank is governed by the Banking Regulation Act, 1949 and other applicable Acts/ Regulations. The Bank's shares are listed in the Bombay Stock Exchange Limited and National Stock Exchange of India Limited. The GDRs issued by the Bank in 2006 have been listed in the London Stock Exchange.

2. **Basis of preparation**

The financial statements have been prepared in accordance with requirements prescribed under the Third Schedule (Form A and Form B) of the Banking Regulation Act, 1949. The Bank follows accrual method of accounting and historical cost convention in the preparation of the financial statements and it conforms to the Generally Accepted Accounting Principles in India ("Indian GAAP"), the circulars and guidelines issued by the Reserve Bank of India ('RBI') from time to time and the Accounting Standards Specified under Section 133 of the Companies Act, 2013, read with Rule 7 of the Companies (Accounts) Rules, 2014 and the relevant provisions of the Companies Act, 2013 ("the 2013 Act")/ Companies Act, 1956 ("the 1956 Act"), as applicable and current practices prevailing within the banking industry in India. The accounting policies adopted in the preparation of financial statements are consistent with those followed in the previous year except for the change in the accounting policy for depreciation as more fully described in Note 2.8 of Schedule 18.

3. **Use of estimates**

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

4. Significant accounting policies

4.1 *Advances*

Advances are classified into performing assets (Standard) and non-performing assets ('NPAs') as per the RBI guidelines and are stated net of specific provisions made towards NPAs, floating provisions and unrealized interest on NPAs. Interest on Non Performing advances is transferred to an unrealized interest account and not recognized in profit and loss account until received. Further, NPAs are classified into sub-standard, doubtful and loss assets based on the criteria stipulated by the RBI. Provisions for NPAs are made over and above the minimum required as per the guidelines of the RBI on matters relating to prudential norms.

Advances shown in the Balance Sheet are net of (a) bills rediscounted and (b) provisions made for non performing advances.

Loss assets and unsecured portion of doubtful assets are provided/ written off as per the RBI guidelines.

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

For restructured/rescheduled assets, provision is made in accordance with the guidelines issued by the RBI, which requires the diminution in the fair value of the assets to be provided at the time of restructuring.

A general provision for standard advances is made @ 0.25% in case of direct advances to agricultural and SME sectors, 1% in respect of advances classified as commercial real estate, 3.50 to 5% in respect of certain class of restructured assets and 0.40% for all other advances as prescribed by the RBI.

4.2 *Country risk*

In addition to the provisions required to be held according to the asset classification status, provisions are held for individual country exposure (other than for home country). The countries are categorised into seven risk categories namely insignificant, low, moderate, high, very high, restricted and off-credit as per Export Credit Guarantee Corporation of India Limited ("ECGC") guidelines and provision is made on exposures exceeding 180 days on a graded scale ranging from 0.25% to 100%. For exposures with contractual maturity of less than 180 days, 25% of the normal provision requirement is held. If the country exposure (net) of the Bank in respect of each country does not exceed 1% of the total funded assets, no provision is maintained on such country exposure.

4.3 *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)

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

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

However for the purpose of disclosure in Balance Sheet, investments in India are classified under six categories, viz. Government Securities, Other Approved Securities, Shares, Debentures and Bonds, Investments in Subsidiaries /Joint Ventures and others.

Transfer of securities between Categories

Transfer of securities between categories is done at the lower of the acquisition cost / book value / market value on the date of the transfer and the depreciation, if any, on such transfer is fully provided for, as per RBI guidelines.

Acquisition Cost

- 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:

a. Held for Trading/Available for Sale– Investments classified under the AFS and HFT categories are marked-to-market. The market/fair value of quoted investments included in the 'AFS' and 'HFT' categories is the Market Price of the Scrip as available from the traded/ quotes on the stock exchanges or prices declared by Primary Dealers Association of India ('PDAI') jointly with Fixed Income Money Market and Derivative Associations of India ('FIMMDA'), periodically. Net depreciation, if any, within each category of each investment classification is recognised in Profit and Loss Account. The net appreciation, if any, under each category of each Investment is ignored. The 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 of government securities are 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. Repurchase and reverse repurchase transactions – These are accounted as outright sale and outright purchase respectively. The difference between the clean price of the first leg and the clean price of the second leg is recognised as

interest income / interest expense over the period of the transaction. However, depreciation in their value, if any, compared to their original cost, is provided for.

d. In respect of securities included in any of the three categories of investments where interest / principal is in arrears, for more than 90 days, income thereon is not reckoned and appropriate provision for the depreciation in the value of the investments is made, as per prudential norms applicable to non-performing investments. Debentures / Bonds in the nature of advances are subjected to usual prudential norms applicable to advances.

e. Treasury Bills and Certificate of Deposits being discounted instruments, are valued at carrying cost.

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

g. 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 Fixed Income Money Market and Derivatives Association of India (FIMMDA)/ Primary Dealers Association of India (PDAI) and suitably marked up for credit risk applicable to the credit rating of the instrument. The matrix for credit risk mark-up for each categories and credit ratings along with residual maturity issued by FIMMDA are adopted for this purpose;

- in case of bonds and debentures (including Pass Through Certificates or PTCs) where interest is not received regularly (i.e. overdue beyond 90 days), the valuation is in accordance with prudential norms for provisioning as prescribed by RBI;

- equity shares, for which current quotations are not available or where the shares are not quoted on the stock exchanges, are valued at break-up value (without considering revaluation reserves, if any) which is ascertained from the company's latest Balance Sheet. In case the latest Balance Sheet is not available, the shares are valued at ₹1/- per company;
- Units of Venture Capital Funds (VCF) held under AFS category where current quotations are not available are marked to market based on the Net Asset Value (NAV) shown by VCF as per the latest audited financials of the fund. In case the audited financials are not available for a period beyond 18 months, the investments are valued at ₹1/- per VCF. Investment in unquoted VCF after 23rd August, 2006 are categorised under HTM category for the initial period of three years and valued at cost as per RBI guidelines;
- Investment in security receipts are valued as per the Net Asset Value (NAV) obtained from the issuing Reconstruction Company /Securitisation Company.

Investments in subsidiaries/associates are categorised as HTM and assessed for impairment to determine permanent diminution, if any, in accordance with the RBI guidelines.

All investments are accounted for on settlement dates except investments in equity shares which are accounted for on trade date as the corporate actions are effected in equity on the trade date.

Profit or Loss on Sale / Redemption 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 or loss on sale / redemption of investments is included in the Profit and Loss account. In case of profits, the same is appropriated to Capital Reserve after adjustments for tax and transfer to statutory reserve in accordance with RBI guidelines.

Repo and Reverse Repo Transactions

In respect of Repo transactions under Liquidity Adjustment Facility (LAF) with RBI, monies borrowed from RBI are credited to investment account and reversed on maturity of the transaction. Costs thereon are accounted for as interest expense. In respect of Reverse Repo transactions under LAF, monies paid to RBI are debited to investment account and reversed on maturity of the transaction. Revenues thereon are 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. Such short positions are categorized under HFT category. These positions are marked –to-market along with the other securities under HFT Portfolio and resultant mark-to-market gains/losses are accounted for as per the relevant RBI guidelines for valuation of Investments discussed earlier.

4.4 ***Foreign currency transactions***

Transactions denominated in foreign currencies are accounted for at the rates prevailing on the date of the transaction. Monetary foreign currency assets and liabilities are translated at the Balance Sheet date at rates notified by Foreign Exchange Dealers Association of India ('FEDAI'). All profits/losses resulting from year end revaluations are recognised in the Profit and Loss Account.

Outstanding foreign exchange contracts excluding currency swaps undertaken to hedge foreign currency assets/ liabilities, funding swaps and spot exchange contracts are revalued at quarter end exchange rates notified by FEDAI for specified maturities and at interpolated rates for contracts of interim maturities. The resulting gains or losses on revaluation are included in the Profit and Loss Account in accordance with RBI/FEDAI guidelines. The forward exchange contracts of longer maturities where exchange rates are not notified by FEDAI are revalued at the forward exchange rates implied by the swap curves in respective currencies. The resultant gains or losses are recognised in the Profit and Loss Account.

Premium/discount on forward exchange contracts and currency swaps undertaken to hedge foreign currency assets and liabilities and funding swaps is recognised as interest income/ expense and is amortised on a pro-rata basis over the underlying swap period.

Contingent liabilities on account of foreign exchange contracts, guarantees, acceptances, endorsements and other obligations denominated in foreign currencies are disclosed at closing rates of exchange notified by FEDAI.

4.5 ***Derivative transactions***

Derivative transactions comprise of forward contracts and swaps which are disclosed as contingent liabilities. The Bank recognises all derivative contracts at the 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. In respect of derivative contracts that are marked to market, negative market value is recognised in the Profit and Loss Account in the relevant period. Contingent liabilities on account of derivative contracts denominated in foreign currencies are reported at closing rates of exchange notified by FEDAI at the Balance Sheet date.

Currency futures contracts are marked to market using daily settlement price on a trading day, which is the closing price of the respective futures contracts on that day. While the daily settlement price is computed based on the last half an hour weighted average price of such contract, the final settlement price is taken as the RBI reference rate on the last trading day of the futures contract or as may be specified by the relevant authority from time to time. All open positions are marked to market based on the settlement price and the resultant marked to market profit/loss is daily settled with the exchange.

4.6 Fixed assets and depreciation

Fixed assets are carried at cost of acquisition less accumulated depreciation and impairment, if any. Cost includes cost of purchase and all expenditure like freight, duties, taxes and incidental expenses related to the acquisition and installation of the asset.

Capital work-in-progress includes cost of fixed assets that are not ready for their intended use and also includes advances paid to acquire fixed assets.
The Bank has adopted the revised useful of assets as per Schedule II of the Companies Act, 2013. The method of charging depreciation of certain assets has been changed to straight line method from the previous written down value method.

Premises are depreciated under the written down value method, using the same useful life as in Schedule II of the Companies Act, 2013. Improvement to leased Premises are depreciated over 5 years based on technical evaluation.

Depreciation on premises revalued has been charged on their written-down value including the addition made on revaluation.

Depreciation on assets sold during the year is recognised on a pro-rata basis till the date of sale.

Profit on sale of premises is appropriated to Capital Reserve account in accordance with RBI instructions.

4.7 Impairment of Assets

The carrying values of assets at each balance sheet date are reviewed for impairment, if any indication of impairment exists. If the carrying amount of the assets exceed the estimated recoverable amount, an impairment is recognised for such excess amount. The impairment loss is recognised as an expense in the Profit and Loss Account , unless the asset is carried at revalued amount, in which case any impairment loss of the revalued asset is treated as a revaluation decrease to the extent a revaluation reserve is available for that asset.

The recoverable amount is the greater of the net selling price and their value in use. Value in use is arrived at by discounting the future cash flows to their present value based on an appropriate discount factor.

When there is indication that an impairment loss recognised for an asset (other than a revalued asset) in earlier accounting periods no longer exists or may have decreased, such reversal of impairment loss is recognised in the Profit and Loss Account, to the extent the amount was previously charged to the Profit and Loss Account. In case of revalued assets such reversal is not recognised.

4.8 **Non-Banking Assets**

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

4.9 **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)

4.10 ***Revenue Recognition***

Interest income is recognised on an accrual basis except interest income on non-performing assets, which is recognised on receipt in accordance with AS-9, Revenue Recognition as specified in Section 133 of the Companies Act, 2013 and the RBI guidelines.

Processing fees collected on loans disbursed, along with related loan acquisition costs are recognised at inception 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 is accounted on an accrual basis when the right to receive the dividend is established.

Gain/Loss on sell down of loans is recognised in line with the extant RBI Guidelines.

Loan Syndication fee is accounted for on completion of the agreed service and when right to receive is established.

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

4.11 ***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

Finance Lease

Accounting Standard on Leases (AS19) issued by the Institute of Chartered Accountants of India (ICAI) is applicable to leases entered into on or after 1st April 2001. Since all the Bank's outstanding finance lease transactions were entered into prior to that date, the Bank has followed the earlier ICAI guidelines in respect of these leases.

4.12 ***Retirement and other employee benefits***

a) Provident Fund

The contribution made by the bank to The Federal Bank Employees Provident Fund, administered by the trustees is charged to the Profit and Loss account.

b) Pension Fund

The contribution towards The Federal Bank Employees' Pension Fund, managed by trustees, is determined on actuarial basis on projected unit credit method as on the Balance Sheet date and is recognised in the accounts. However, the liability arising on account of re-opening of pension option to existing employees who had joined prior to 29th September, 1995 and not exercised the option earlier, is amortised over a period of five years commencing from the financial year 2010-11 as permitted by the Reserve Bank of India.

Employees who had joined the services of the Bank with effect from April 01, 2010 are covered under Defined Contributory Pension Scheme (DCPS). In respect of such employees the bank contributes 10% of the Basic Pay plus Dearness Allowance and the expenditure thereof is charged to the Profit and Loss account

c) Gratuity

The bank makes annual contribution to The Federal Bank Employees' Gratuity Trust Fund administered and managed by the Trustees. The cost of providing such benefits is determined using the Projected Unit Credit method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognised in the Profit and Loss Account in the period in which they occur. The retirement benefit obligation recognised in the Balance Sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the schemes.

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

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

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.

4.13 ***Debit card reward points***

The Bank runs a loyalty program which seeks to recognise and reward customers based on their relationship with the Bank. Under the program, eligible customers are granted loyalty points redeemable in future, subject to certain conditions. The Bank estimates the probable redemption of such loyalty/reward points using an actuarial method at the Balance Sheet date by employing independent actuary. Provision for said reward points is then made based on the actuarial valuation report as furnished by the said independent Actuary.

4.14 ***Employee Stock Option Scheme***

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

4.15 ***Taxation***

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

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

Minimum Alternate Tax (MAT) paid in accordance with the tax laws, which gives future economic benefits in the form of adjustment to future income tax liability, is considered as an asset if there is convincing evidence that the Company will pay normal income tax. Accordingly, MAT is recognised as an asset in the Balance Sheet when it is highly probable that future economic benefit associated with it will flow to the Company.

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 reviewed at each balance sheet date for their realisability.

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

4.16 ***Earnings per Share***

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

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

4.17 ***Provisions, contingent liabilities and contingent assets***

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

A disclosure of contingent liability is made when there is:

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

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

SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2015

1. Disclosures as per RBI's Master Circular on Disclosure in Financial Statements

Amounts in Notes forming part of the financial statements for the year ended 31st March, 2015 are denominated in Rupees Crore to conform to extant RBI guidelines.

1.1. Capital Adequacy Ratio

Capital Adequacy Ratio as per RBI guidelines (Basel III Capital Regulations dated July1, 2014) as at March 31, 2015 is given below:

(₹ in Crore)

Particulars	As at 31 March, 2015	As at 31 March, 2014
Common Equity Tier I	7534.23	6720.21
Tier-I Capital	7534.23	6720.21
Tier -II Capital	330.79	252.21
Total Capital	7865.02	6972.42
Total risk weighted assets and contingencies	50888.63	46041.34
Capital Ratios		
Common Equity Tier I	14.81%	14.59%
Tier-I Capital	14.81%	14.59%
Tier -II Capital	0.65%	0.55%
Total CRAR	15.46%	15.14%
Percentage of the shareholding of the Government of India in public sector banks	NA	NA
Amount of Equity Capital Raised	-	-
Amount of Additional Tier I Capital raised of which:		
Perpetual Non- Cumulative Preference Shares (PNCPS)	-	-
	-	-
Perpetual Debt Instruments (PDI)		
Amount of Tier II Capital raised of which:	-	-
Debt Capital instruments	-	-
Perpetual Capital Instruments		

The computation of Capital Adequacy Ratio is compiled by the management and relied upon by the Auditors.

1.2. The Key business ratios and other information:

Particulars	As at 31st March 2015	As at 31st March 2014
(i) Interest Income as a percentage to Working Funds* (%)	9.76	9.90
(ii) Non-interest income as a percentage to Working Funds* (%)	1.16	0.99
(iii) Operating Profit as a percentage to Working Funds* (%)	2.14	2.11

(iv)	Return on Assets [Based on Average Working Fund] *(%)	1.32	1.20
(v)	Business (Deposits less inter-bank deposits plus advances) per employee (₹ in Crore)**	11.15	9.97
(vi)	Profit per employee (₹ in Crore)**	0.09	0.08

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

** Productivity ratios are based on average employee numbers for the year.

1.3. 'Provisions and Contingencies' recognised in the Profit and Loss Account include:

(₹ in Crore)

	For the year ended / As at	31st March 2015	31st March2014
i)	Provision towards NPAs (net)	204.34	228.22
ii)	Provision for Depreciation in Value of Investments (Net)	(93.47)	111.59
iii)	Provision for Non - Performing Investments	12.86	-
iv)	Provision for Standard Assets	54.10	12.70
v)	Withdrawal from floating provision	(12.75)	-
vi)	Provision for Taxation :		
	Current Tax	760.27	198.00
	Deferred tax	(244.98)	252.39
	Mat Credit entitlement	-	(77.29)
vii)	Provision towards Present Value of sacrifice on restructuring, other contingencies etc.	(58.34)	(84.11)
	Total	**622.03**	**641.50**

1.4. **Investments**

1.4.1. **Details of Investments:**

(₹ in Crore)

Particulars	31st March 2015	31st March 2014
(1) Value of Investments		
(i) Gross Value of Investments		
(a) In India	24439.20	24228.47
(b) Outside India	-	-
(ii) Provisions for Depreciation		
(a)In India	12.48	105.95
(b) Outside India	-	-
(iii) Provisions for Non-Performing Investments		

(a)In India	17.53	4.67
(b) Outside India	-	-
(iv) Net Value of Investments		
(a) In India	24409.19	24117.85
(b) Outside India	-	-
(2) Movement of provision held towards depreciation on Investments.		
(i) Opening balance	105.95	9.88
(ii) Add: Provisions made during the year	5.28	96.07
(iii) Less: Write-off/ write-back of excess provisions during the year	98.75	-
(iv) Closing balance	12.48	105.95
(3) Movement of provision for Non Performing Investments (NPIs)		
(i) Opening Balance	4.67	4.67
(ii) Add: Provision made during the year	12.86	-
(iii) Less: Write –off/ Write back of excess provisions during the year	-	-
(iv) Closing Balance	17.53	4.67

1.4.2. a) Investments under HTM (excluding specified investments as per RBI norms) account for 22.23% (previous year 24.17%) of demand and time liabilities as at the end of March 2015 as against permitted ceiling of 25% stipulated by RBI.

b) In respect of securities held under HTM category premium of ₹ 32.11Crore (previous year:₹ 29.69 Crore) has been amortised during the year and debited under interest received on Government securities.

c) Profit on sale of securities from HTM category amounting to ₹ 57.80 Crore (previous year: ₹ 36.26 Crore) has been taken to Profit and Loss Account. During the year, the Bank had appropriated ₹ 28.62 Crore (previous year:₹17.95Crore), net of taxes and transfer to statutory reserve to the Capital Reserve, being the gain on sale of HTM Investments in accordance with RBI guidelines.

d) The bank had transferred ₹ 46.28 Crore (previous year ₹ Nil) (Net of applicable taxes and transfer to statutory reserve) towards Investment Reserve Account on provision for depreciation on Investments credited to Profit and Loss account.

1.4.3. **Repo Transactions**

Details of securities sold/purchased (in face value terms) during the years ended 31st March, 2015 and 31st March, 2014 under repos/reverse repos (excluding LAF transactions):

(₹ in Crore)

Particulars	Outstanding during the year			Outstanding as on 31/03/2015/ (31/03/2014)
	Minimum	Maximum	Daily Average	
A) Securities sold under Repos				
i) Government Securities	(-) (-)	2670.00 (2670.00)	1086.83 (630.91)	2340.00 (2670.00)
ii)Corporate Debt Securities	- (-)	- (-)	- (-)	- (-)
Securities purchased under Reverse Repos				
i) Government Securities	- (-)	400.00 (425.00)	18.27 (2.78)	- (-)
ii)Corporate Debt Securities	- (-)	- (-)	- (-)	- (-)
B)Securities sold under Market Repos				
i) Government Securities	- (-)	588.96 (191.18)	33.40 (3.52)	- (-)
ii)Corporate Debt Securities	- (-)	- (-)	- (-)	- (-)
Securities purchased under Reverse Market Repos				
i) Government Securities	- (-)	956.96 (604.93)	49.41 (16.98)	- (-)
ii)Corporate Debt Securities	- (-)	- (-)	- (-)	- (-)

(Previous year's figures are given in brackets)

1.4.4. **Details of Non-SLR investment portfolio**

a) Issuer composition as at 31 March, 2015 of non-SLR investments*

(₹ 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 Units	391.85 (506.02)	391.85 (496.92)	356.85 (426.10)	83.30 (106.10)	- (-)
2	Financial Institutions	3860.54 (3550.55)	3860.54 (3550.55)	- (-)	- (-)	5 (5)
3	Banks	1897.68 (2745.50)	105.92 (121.92)	15 (15)	- (-)	- (-)
4	Private Corporates	492.06 (674.47)	370.03 (420.03)	85.53 (156.08)	22.59 (11.87)	59.98 (79.98)
5	Subsidiaries/ Joint ventures	398.00 (398.00)	398.00 (398.00)	- (-)	- (-)	- (-)
6	Others	482.18 (376.29)	482.18 (376.20)	347.03 (341.86)	0.88 (-)	- (-)
7	Less: Provision held towards depreciation on investment	7.92 (6.18)	XXX	XXX	XXX	XXX
8	Less: Provision held towards non performing investments	17.53 (4.67)	XXX	XXX	XXX	XXX
	Total	**7496.86 (8239.98)**	**5608.52 (5363.62)**	**804.41 (939.04)**	**106.77 (117.97)**	**64.98 (84.98)**

Previous year's figures are given in brackets

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

* excludes investments in non-SLR government securities amounting to ₹ 36.25 Crore (previous year ₹ 54.81 Crore)

** Excludes investments in equity shares, units issued by venture capital funds and deposits with NABARD, SIDBI and NHB under the priority/weaker sector lending scheme in line with extant RBI guidelines.

*** Excludes investments in equity shares, units issued by venture capital funds, pass through certificates, security receipts, security acquired by way of conversion of debt, certificate of deposits and deposits with NABARD, SIDBI and NHB under the priority/weaker sector lending scheme in line with extant RBI guidelines.

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

(₹ in Crore)

Particulars	31 March 2015	31 March 2014
Shares	157.93	175.77
Debentures and Bonds *	796.55	1136.05
Subsidiaries/Joint Ventures	398.00	398.00
Others	6180.63	6584.97
Total	**7533.11**	**8294.79**

* Includes investments in non-SLR government securities amounting to ₹ 36.25 Crore (previous year ₹ 54.81 Crore)

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

(₹ in Crore)

Particulars	31 March 2015	31 March 2014
Opening Balance	4.67	4.67
Additions during the year	12.86	-
Reductions during the year	-	-
Closing Balance	17.53	4.67
Total Provisions held	17.53	4.67

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

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

1.5. **Derivatives**

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

1.5.1 **Exchange Traded Interest Rate Derivatives:**

(₹ in Crore)

Sl. No.	Particulars	31 March 2015	31 March 2014
(i)	Notional principal amount of exchange traded interest rate derivatives undertaken during the year (instrument-wise)	Nil	Nil
(ii)	Notional principal amount of exchange traded interest rate derivatives outstanding as on 31st March 2015	Nil	Nil

(iii)	Notional principal amount of exchange traded interest rate derivatives outstanding and not "highly effective"	Nil	Nil
(iv)	Mark-to-market value of exchange traded interest rate derivatives outstanding and not "highly effective"	Nil	Nil

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

(₹ in Crore)

Particulars	31 March 2015	31 March 2014
i) The notional principal of swap agreements	1246.60	1250.00
ii) Losses which would be incurred if counter parties failed to fulfil their obligations under the agreements	3.86	17.05
iii) Collateral required by the bank upon entering into swaps	Nil	Nil
iv) Concentration of credit risk arising from the swaps	Nil	Nil
v) The fair value of the swap book	0.46	0.02

The nature and terms of the IRS as on 31 March, 2015 are set out below:

(₹ in Crore)

Nature	Nos.	Notional Principal	Benchmark	Terms
Trading	25	625	NSE MIBOR	Fixed payable v/s floating receivable
Trading	25	621.60	NSE MIBOR	Fixed Receivable/floating payable

The nature and terms of the IRS as on 31 March, 2014 are set out below:

(₹ in Crore)

Nature	Nos.	Notional Principal	Benchmark	Terms
Trading	25	625	NSE MIBOR	Fixed payable v/s floating receivable
Trading	25	625	NSE MIBOR	Fixed Receivable/floating payable

The bank has not undertaken any transactions in Credit Default Swaps (CDS) during the year 31 March, 2015 and 31 March, 2014.

1.5.3. Disclosure on Risk exposure in Derivatives

a) Qualitative Disclosures

Structure, organization, scope and nature of management of risk in derivatives etc.

The Treasury Department is organised into three functional areas, i.e., front office, mid office and back office under the charge of Deputy General Manager and Assistant General Manger with overall supervision and control by President – Treasury. Derivative deals are generally executed for market making. Although fresh derivative products are not undertaken, the outstanding position of earlier years is managed by the back office.

The risk in the derivatives is monitored regularly by assessing marked to market position (MTM) of the entire portfolio and the impact on account of the probable market movements. Various risk limits have been put in place under different segments of the derivatives, as approved by Board. The risk profile of the outstanding portfolio is reviewed by the Board at regular intervals. The current outstanding under the derivatives portfolio were executed for trading purposes.

Accounting:

Board Approved Accounting Policies as per RBI guidelines have been adopted. The swaps are marked to market every month and the MTM losses in the basket are accounted in the books while MTM profits are ignored.

Collateral Security:

As per market practice, no collateral security is insisted on for the contracts with counter parties like Banks/Primary Dealers (PDs) etc. For deals with Corporate Clients, appropriate collateral security/margin etc. is stipulated wherever considered necessary.

Credit Risk Mitigation:

Most of the deals have been contracted with Banks/ Major PDs and no default risk is anticipated on the deals with them. No derivative contracts are done for other clients as of now.

b) Quantitative Disclosures

(₹ in Crore)

Sl. No	Particulars	Currency Derivatives*		Interest rate Derivatives	
		Year ended March 31, 2015	Year ended March 31, 2014	Year ended March 31, 2015	Year ended March 31, 2014
(i)	Derivatives (Notional Principal Amount)				
	a)For hedging	-	-	-	-
	b) For trading	-	-	1246.60	1250
(ii)	Marked to Market positions (1)				
	a) Asset (+)	-	-	3.86	17.05
	b) Liabilities (-)	-	-	-3.40	-17.03
(iii)	Credit Exposure (2)	-	-	13.84	29.55
(iv)	Likely impact of one percentage change in interest rate (100*PV01)				
	a) on hedging derivatives	-	-	-	-
	b) on trading derivatives	-	-	0.003	0.003
(v)	Maximum and Minimum of 100*PV01 observed during the year				
	a) on hedging	-	-	-	-
	b) on trading	-	-	Max 0.003 Min 0.003	Max 0.003 Min 0.003

* excludes forward exchange contract.

- The notional principal amount of forward exchange contracts classified as Hedging and Trading outstanding as on March 31,2015 amounted to ₹ 2804.07 Crore (previous year ₹2938.69 Crore) and ₹ 9826.76 Crore (previous year ₹ 15267.76 Crore) respectively. The marked to Market position (Asset) of these contracts are ₹ 51.58 Crore (previous year ₹39.72 Crore) Credit exposure on forward exchange contracts at March 31,2015 was ₹554.25 Crore (previous year ₹ 643.06 Crore).
- The notional principal amounts of derivatives reflect the volume of transactions outstanding as at the Balance Sheet and do not represent the amounts at risk.
- Interest rate derivative include interest rate swaps.
- The bank has computed the maximum and minimum of PV01 for the year based on the balances as at the end of every month.
- In respect of derivative contracts, the bank evaluates the credit exposure arising therefrom, in line with RBI guidelines. Credit exposure has been computed using the current exposure method which is the sum of :

  a) The current replacement cost (Marked to Market value including accruals) of the contract) or zero whichever is higher.

b) The Potential Future Exposure (PFE) is a product of the notional principal amount of the contract and a factor that is based on the grid of credit conversion factor prescribed in RBI Guidelines, which is applied on the basis of the residual maturity and the type of contract.

1.6. **Asset Quality**

1.6.1 **Net non-performing assets**

Particulars	**31 March, 2015 %**	**31 March, 2014 %**
Net non-performing assets as a percentage of net advances.	0.73	0.74

1.6.2 **Movement in gross non-performing assets**

(₹in Crore)

Particulars	**31 March, 2015**	**31 March, 2014**
Gross NPAs as at the beginning of the year	1087.41	1554.01
Additions (Fresh NPAs) during the year	814.10	684.24
Subtotal (A)	**1901.51**	**2238.25**
Less:		
(i) Upgradations	259.46	134.00
(ii) Recoveries (excluding recoveries made from upgraded accounts)	209.43	136.62
(iii) Technical/ Prudential Write - offs	225.10	466.12
(iv) Write –offs other than those under (iii) above	8.36	5.31
(v)Reduction by Sale of Assets to ARCs	141.43	408.79
Sub-total (B)	**843.78**	**1150.84**
Gross NPAs as at the end of the year *(A-B)	**1057.73**	**1087.41**

* after considering technical/ Prudential Write – Offs

Closing Gross NPAs before technical/ Prudential Write – Offs is ₹ 2436.21 Crore (Previous Year ₹ 2312.61 Crore)

1.6.3 **Movement in net non-performing assets**

(₹in Crore)

Particulars	**31 March, 2015**	**31 March, 2014**
Opening Balance at the beginning of the year	321.56	431.94
Additions during the year	409.00	348.37
Reductions during the year	357.29	458.75
Closing Balance at the end of the year	**373.27**	**321.56**

1.6.4 **Movement in provisions for non-performing assets**

(₹ in Crore)

Particulars	31 March, 2015	31 March, 2014
Opening Balance	721.17	1097.87
Additions during the year *	401.70	240.72
Reductions during the year	456.49	617.42
Closing Balance	**666.38**	**721.17**

*includes reversal of excess provision on Sale of NPAs (Sold prior to February 26, 2014 to SCs/RCs) amounting to ₹ 25.46 Crore (Previous Year ₹ Nil) as permitted by RBI Vide Circular DBR.No.BP.BC. 75/21.04.048/2014-15 dated March 11, 2015. This reversal has been utilised for Creation of NPA Provision during the Year.

1.6.5 **Movement in floating provision is set out below:**

(₹ in Crore)

Particulars	Standard Assets Provision		NPA Provision	
	2014-15	2013-14	2014-15	2013-14
(a)Opening Balance	25.50	38.00	179.52	179.52
(b)Additional provision for the year	Nil	Nil	Nil	Nil
(c) Draw down during the year*	12.75	12.50	41.34	Nil
(d)Closing Balance	12.75	25.50	138.18	179.52

* Floating provision has been utilised in accordance with RBI guidelines dated February 7, 2014 and March 30, 2015.

1.6.6 The Provision coverage ratio of the bank computed in terms of the RBI Guidelines as on 31 March, 2015 was 83.94% (Previous Year 84.16%).

1.6.7 **Movement of Provision on Standard Assets**

(₹ in Crore)

Particulars	2014-15	2013-14
(a) Opening Balance	245.58	245.38
(b) Addition/Adjustments during the year	54.10	12.70
(c) Deduction during the year	12.75	12.50
(d) Closing Balance	286.93	245.58

1.6.8 **Amount of Provisions made for income-tax during the year**

(₹ in Crore)

Particulars	2014-15	2013-14
Provision for Income Tax		
a) Current Tax for the year (Net of MAT Credit entitlement ₹ Nil (previous year ₹ 77.29 Crore)	760.27	120.71
b) Deferred Tax for the year	(244.98)	252.39

The Bank has a comprehensive system of maintenance of information and documents required by transfer pricing legislation under section 92-92F of the Income-tax Act, 1961. The Bank is of the opinion that specified transactions with domestic related parties are primarily at arm's length so that the above legislation do not have material impact on the financial statements.

1.6.9 Particulars of Accounts Restructured

Details of loan assets subjected to restructuring during the year ended 31 March, 2015:

(₹ in Crore)

Type of Restructuring		Under CDR Mechanism					Under SME Debt Restructuring Mechanism[7]				
Asset Classification		Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total
Restructured accounts as on April 1 of the FY (Opening Balance)	No. of borrowers	16	2	3	-	21	-	-	-	-	-
	Amount Outstanding – (a)Restructured facility	452.62	85.72	85.84	-	624.18	-	-	-	-	-
	b)Other Facility	108.85	4.67	14.59	-	128.11	-	-	-	-	-
	Provision thereon	25.51	7.93	6.91	-	40.35	-	-	-	-	-
Movement in balance for accounts appearing under opening balance[1]	No. of borrowers	-	-	-	-	-	-	-	-	-	-
	Amount Outstanding – (a)Restructured facility	42.06	(9.85)	(1.80)	-	30.41	-	-	-	-	-
	b)Other Facility	27.33	15.18	6.47	-	48.98	-	-	-	-	-
	Provision thereon	(24.13)	(7.94)	(0.01)	-	(32.08)	-	-	-	-	-
Fresh Restructuring during the year[2]	No. of borrowers	4	-	-	-	4	-	-	-	-	-
	Amount Outstanding – (a)Restructured facility	115.59	-	-	-	115.59	-	-	-	-	-
	b)Other Facility	7.45	-	-	-	7.45	-	-	-	-	-
	Provision thereon	5.90	-	-	-	5.90	-	-	-	-	-

Type of Restructuring		Under CDR Mechanism					Under SME Debt Restructuring Mechanism[7]				
Asset Classification		Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total
Upgradation to restructured standard category during the FY	No. of borrowers	-	-	-	-	-	-	-	-	-	-
	Amount Outstanding – (a)Restructured facility	-	-	-	-	-	-	-	-	-	-
	b)Other Facility	-	-	-	-	-	-	-	-	-	-
	Provision thereon	-	-	-	-	-	-	-	-	-	-
Restructured Standard Advances which cease to attract higher provisioning and/or additional risk weight at the end of FY	No. of borrowers	(5)				(5)	-				-
	Amount Outstanding – (a)Restructured facility	(82.16)				(82.16)	-				-
	b)Other Facility	(46.87)	-	-	-	(46.87)	-				-
	Provision thereon	(0.05)				(0.05)	-				-
Downgradation of restructured accounts during the FY[3]	No. of borrowers	(1)	(1)	2	-	-	-	-	-	-	-
	Amount Outstanding – (a)Restructured facility	(26.09)	(49.78)	75.87	-	-	-	-	-	-	-
	b)Other Facility	(17.71)	(2.14)	19.85	-	-	-	-	-	-	-
	Provision thereon	(0.27)	0.27	-	-	-	-	-	-	-	-
Write-offs/ Sale	No. of borrowers	(1)	-	(2)	-	(3)	-	-	-	-	-

Type of Restructuring		Under CDR Mechanism					Under SME Debt Restructuring Mechanism[7]				
Asset Classification		Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total
of restructured accounts during the FY[4,5]	Amount Outstanding – (a)Restructured facility	(32.17)	-	(54.56)	-	(86.73)	-	-	-	-	-
	b)Other Facility	(4.94)	-	(19.26)	-	(24.20)	-	-	-	-	-
	Provision thereon	-	-	(2.19)	-	(2.19)	-	-	-	-	-
Restructured accounts as on March 31 of the FY (closing figures)[6]	No. of borrowers	13	1	3	-	17	-	-	-	-	-
	Amount Outstanding – (a)Restructured facility	469.85	26.09	105.35	-	601.29	-	-	-	-	-
	b)Other Facility	74.11	17.71	21.65	-	113.47	-	-	-	-	-
	Provision thereon	6.96	0.26	4.71	-	11.93	-	-	-	-	-

(₹ in Crore)

Type of Restructuring		Others					Total				
Asset Classification		Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total
Restructured accounts as on April 1 of the FY (Opening Balance)	No. of borrowers	368	52	127	91	638	384	54	130	91	659
	Amount Outstanding – (a)Restructured facility	1323.52	20.38	90.85	2.50	1437.25	1776.14	106.10	176.69	2.50	2061.43
	b)Other Facility	1105.49	13.57	31.33	-	1150.39	1214.34	18.24	45.92	-	1278.50
	Provision thereon	35.52	3.13	1.08	0.16	39.89	61.03	11.06	7.99	0.16	80.24
Movement in balance for accounts appearing under opening balance [1]	No. of borrowers	(40)	4	(25)	(1)	(62)	(40)	4	(25)	(1)	(62)
	Amount Outstanding – (a)Restructured facility	(66.31)	6.78	(7.41)	(0.17)	(67.11)	(24.25)	(3.07)	(9.21)	(0.17)	(36.70)
	b)Other Facility	37.18	6.21	(21.53)	0.19	22.05	64.51	21.39	(15.06)	0.19	71.03
	Provision thereon	(17.83)	(2.91)	(0.87)	(0.08)	(21.69)	(41.96)	(10.85)	(0.88)	(0.08)	(53.77)
Fresh Restructuring during the year[2]	No. of borrowers	158	-	-	-	158	162	-	-	-	162
	Amount Outstanding – (a)Restructured facility	204.27	-	-	-	204.27	319.86	-	-	-	319.86
	b)Other Facility	46.26	-	-	-	46.26	53.71	-	-	-	53.71
	Provision thereon	4.17	-	-	-	4.17	10.07	-	-	-	10.07
Upgradation to	No. of borrowers	16	(12)	-	(4)	-	16	(12)	-	(4)	-

Type of Restructuring		Others					Total				
Asset Classification		Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total
restructured standard category during the FY	Amount Outstanding – (a)Restructured facility	16.62	(13.86)	(2.59)	(0.17)	-	16.62	(13.86)	(2.59)	(0.17)	-
	b)Other Facility	9.68	(9.68)	-	-	-	9.68	(9.68)	-	-	-
	Provision thereon	0.02	(0.02)	0.01	(0.01)	-	0.02	(0.02)	0.01	(0.01)	-
Restructured Standard Advances which cease to attract higher provisioning and/or additional risk weight at the end of FY	No. of borrowers	(208)				(208)	(213)				(213)
	Amount Outstanding – (a)Restructured facility	(169.49)				(169.49)	(251.65)				(251.65)
	b)Other Facility	(130.69)				(130.69)	(177.56)				(177.56)
	Provision thereon	(4.43)				(4.43)	(4.48)				(4.48)
Downgradation of restructured accounts during the FY[3]	No. of borrowers	(28)	(8)	16	20	-	(29)	(9)	18	20	-
	Amount Outstanding – (a)Restructured facility	(29.20)	17.19	11.51	0.50	-	(55.29)	(32.59)	87.38	0.50	-
	b)Other Facility	(5.19)	(4.80)	9.99	-	-	(22.90)	(6.94)	29.84	-	-
	Provision thereon	(1.44)	1.26	0.16	0.02	-	(1.71)	1.53	0.16	0.02	-
Write-offs/ Sale	No. of borrowers	(2)	(2)	(34)	(20)	(58)	(3)	(2)	(36)	(20)	(61)

Type of Restructuring		Others					Total				
Asset Classification		Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total
of restructured accounts during the FY[4,5]	Amount Outstanding – (a)Restructured facility	(0.18)	(1)	(52.57)	(0.99)	(54.74)	(32.35)	(1)	(107.13)	(0.99)	(141.47)
	b)Other Facility	-	-	(5.38)	(0.19)	(5.57)	(4.94)	-	(24.64)	(0.19)	(29.77)
	Provision thereon	-	-	-	-	-	-	-	(2.19)	-	(2.19)
Restructured accounts as on March 31 of the FY (closing figures)[6]	No. of borrowers	264	34	84	86	468	277	35	87	86	485
	Amount Outstanding – (a)Restructured facility	1279.23	29.49	39.79	1.67	1350.18	1749.08	55.58	145.14	1.67	1951.47
	b)Other Facility	1062.73	5.30	14.41	-	1082.44	1136.84	23.01	36.06	-	1195.91
	Provision thereon	16.01	1.46	0.38	0.09	17.94	22.97	1.72	5.09	0.09	29.87

1 Includes accounts closed during the year on account of payment of outstanding facilities by the borrower

2 Amount reported here represents outstanding as on 31 March, 2015

3 Includes accounts which were not attracting higher provisioning and/or additional risk weight at the beginning of the Financial Year

4 Amount outstanding under restructuring facilities is outstanding balance as on 31-03-2014

5 Includes sale of restructured accounts as follows:

(₹ in Crore)

	Under CDR Mechanism					Others				
	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total
No. of borrowers	1	-	2	-	3	-	-	-	1	1
Amount Outstanding (a)Restructured facility @	38.11	-	27.64	-	59.82	-	-	-	5.83	5.83
b)Other Facility @	4.94	-	19.08	-	24.02	-	-	-	4.51	4.51
Provision thereon @	-	-	2.19	-	2.19	-	-	-	-	-

@ Represents balance as on 31-03-2014

[6] Other Facility include investments in Bonds/ Debentures amounting to ₹ 45.03 Crore

[7] There are no SME cases which have been restructured during the year ended 31 March, 2015

Details of loan assets subjected to restructuring during the year ended 31 March, 2014:

(₹ in Crore)

Type of Restructuring		Under CDR Mechanism					Under SME Debt Restructuring Mechanism[7]				
Asset Classification		Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total
Restructured accounts as on April 1 of the FY (Opening Balance)	No. of borrowers	13	1	2	-	16	-	-	-	-	-
	Amount Outstanding – (a)Restructured facility	337.64	33.79	54.45	-	425.88	-	-	-	-	-
	b)Other Facility	65.93	-	14.59	-	80.52	-	-	-	-	-
	Provision thereon	36.89	5.40	2.59	-	44.88	-	-	-	-	-
Movement in balance for accounts	No. of borrowers	(2)	-	-	-	(2)	-	-	-	-	-
	Amount Outstanding –	(42.97)	(2.51)	0.11	-	(45.37)	-	-	-	-	-

Type of Restructuring		Under CDR Mechanism					Under SME Debt Restructuring Mechanism[7]				
Asset Classification		Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total
appearing under opening balance[1]	(a)Restructured facility										
	b)Other Facility	(13.12)	4.67	-	-	(8.45)	-	-	-	-	-
	Provision thereon	(17.67)	(0.71)	(0.38)	-	(18.76)	-	-	-	-	-
Fresh Restructuring during the year [2]	No. of borrowers	7	-	-	-	7	-	-	-	-	-
	Amount Outstanding – (a)Restructured facility	287.68	-	-	-	287.68	-	-	-	-	-
	b)Other Facility	58.73	-	-	-	58.73	-	-	-	-	-
	Provision thereon	20	-	-	-	20	-	-	-	-	
Upgradation to restructured standard category during the FY	No. of borrowers	-	-	-	-	-	-	-	-	-	-
	Amount Outstanding – (a)Restructured facility	-	-	-	-	-	-	-	-	-	-
	b)Other Facility	-	-	-	-	-	-	-	-	-	-
	Provision thereon	-	-	-	-	-					-
Restructured Standard Advances which cease to attract higher provisioning and/or	No. of borrowers	-				-	-				-
	Amount Outstanding – (a)Restructured facility	-				-	-				-
	b)Other Facility	-	-	-	-	-	-	-	-	-	-
	Provision thereon	-				-					-

Type of Restructuring		Under CDR Mechanism					Under SME Debt Restructuring Mechanism[7]				
Asset Classification		Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total
additional risk weight at the end of FY											
Downgradation of restructured accounts during the FY[3]	No. of borrowers	(3)	2	1	-	-	-	-	-	-	-
	Amount Outstanding – (a)Restructured facility	(129.73)	98.45	31.28	-	-	-	-	-	-	-
	b)Other Facility	(2.69)	2.69	-	-	-	-	-	-	-	-
	Provision thereon	(13.71)	9.01	4.70	-	-	-	-	-	-	-
Write-offs/ Sale of restructured accounts during the FY[4,5]	No. of borrowers	-	(1)	-	-	(1)	-	-	-	-	-
	Amount Outstanding – (a)Restructured facility	-	(44.01)	-	-	(44.01)	-	-	-	-	-
	b)Other Facility	-	(2.69)	-	-	(2.69)	-	-	-	-	-
	Provision thereon	-	(5.77)	-	-	(5.77)	-	-	-	-	-
Restructured accounts as on March 31 of the FY (closing figures)[6]	No. of borrowers	15	2	3	-	20	-	-	-	-	-
	Amount Outstanding – (a)Restructured facility	452.62	85.72	85.84	-	624.18	-	-	-	-	-
	b)Other Facility	108.85	4.67	14.59	-	128.11	-	-	-	-	-
	Provision thereon	25.51	7.93	6.91	-	40.35	-	-	-	-	

(₹ in Crore)

Type of Restructuring		Others					Total				
Asset Classification		**Standard**	**Sub-Standard**	**Doubtful**	**Loss**	**Total**	**Standard**	**Sub-Standard**	**Doubtful**	**Loss**	**Total**
Restructured accounts as on April 1 of the FY (Opening Balance)	No. of borrowers	400	57	184	71	712	413	58	186	71	728
	Amount Outstanding – (a)Restructured facility	1617.73	23.66	109.99	56.54	1807.92	1955.37	57.45	164.44	56.54	2233.80
	b)Other Facility	492.29	6.82	41.40	0.32	540.83	558.22	6.82	55.99	0.32	621.35
	Provision thereon	121.51	0.92	4.96	0.26	127.65	158.40	6.32	7.55	0.26	172.53
Movement in balance for accounts appearing under opening balance [1]	No. of borrowers	36	(21)	(31)	(4)	(20)	34	(21)	(31)	(4)	(22)
	Amount Outstanding – (a)Restructured facility	(362.09)	(2.74)	(8.11)	(0.64)	(373.58)	(405.06)	(5.25)	(8.00)	(0.64)	(418.95)
	b)Other Facility	559.31	(6.30)	(3.34)	0	549.67	546.19	(1.63)	(3.34)	0	541.22
	Provision thereon	(75.89)	2.35	(3.91)	(0.07)	(77.52)	(93.56)	1.64	(4.29)	(0.07)	(96.28)
Fresh Restructuring during the year[2]	No. of borrowers	109	-	-	-	109	116	-	-	-	116
	Amount Outstanding – (a)Restructured facility	237.65	-	-	-	237.65	525.33	-	-	-	525.33
	b)Other Facility	79.11	-	-	-	79.11	137.84	-	-	-	137.84
	Provision thereon	16.81	-	-	-	16.81	36.81	-	-	-	36.81
Upgradation to	No. of borrowers	29	(15)	(10)	(4)	-	29	(15)	(10)	(4)	-

Type of Restructuring		Others					Total				
Asset Classification		Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total
restructured standard category during the FY	Amount Outstanding – (a)Restructured facility	9.27	(3.83)	(5.27)	(0.17)	-	9.27	(3.83)	(5.27)	(0.17)	-
	b)Other Facility	2.27	-	(2.27)	-	-	2.27	-	(2.27)	-	-
	Provision thereon	0.26	(0.22)	(0.03)	(0.01)	-	0.26	(0.22)	(0.03)	(0.01)	-
Restructured Standard Advances which cease to attract higher provisioning and/or additional risk weight at the end of FY	No. of borrowers	(171)				(171)	(171)				(171)
	Amount Outstanding – (a)Restructured facility	(72.29)				(72.29)	(72.29)				(72.29)
	b)Other Facility	-				-	-				-
	Provision thereon	(1.73)				(1.73)	(1.73)				(1.73)
Downgradation of restructured accounts during the FY[3]	No. of borrowers	(35)	34	(3)	41	37	(38)	36	(2)	41	37
	Amount Outstanding – (a)Restructured facility	(106.75)	100.26	16.28	1.15	10.94	(236.48)	198.71	47.56	1.15	10.94
	b)Other Facility	(27.49)	26.85	0.64	-	-	(30.18)	29.54	0.64	-	-
	Provision thereon	(25.44)	25.43	0.08	0.02	0.09	(39.15)	34.44	4.78	0.02	0.09
Write-offs/ Sale of restructured accounts during the FY[4,5]	No. of borrowers	-	(3)	(13)	(13)	(29)	-	(4)	(13)	(13)	(30)
	Amount Outstanding – (a)Restructured facility	-	(96.97)	(22.04)	(54.38)	(173.39)	-	(140.98)	(22.04)	(54.38)	(217.40)

Type of Restructuring		Others					Total				
Asset Classification		Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total
	b)Other Facility	-	(13.80)	(5.10)	(0.32)	(19.22)	-	(16.49)	(5.10)	(0.32)	(21.91)
	Provision thereon	-	(25.35)	(0.02)	(0.04)	(25.41)	-	(31.12)	(0.02)	(0.04)	(31.18)
Restructured accounts as on March 31 of the FY (closing figures)[6]	No. of borrowers	368	52	127	91	638	383	54	130	91	658
	Amount Outstanding – (a)Restructured facility	1323.52	20.38	90.85	2.50	1437.25	1776.14	106.10	176.69	2.50	2061.43
	b)Other Facility	1105.49	13.57	31.33	-	1150.39	1214.34	18.24	45.92	-	1278.50
	Provision thereon	35.52	3.13	1.08	0.16	39.89	61.03	11.06	7.99	0.16	80.24

1 Includes accounts closed during the year on account of payment of outstanding facilities by the borrower

2 Amount reported here represents outstanding as on 31 March, 2014

3 Includes accounts which were not attracting higher provisioning and/or additional risk weight at the beginning of the Financial Year

4 Amount outstanding under restructuring facilities is outstanding balance as on 31-03-2013

5 Includes sale of restructured accounts as follows:

(₹ in Crore)

	Under CDR Mechanism					Others				
	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total
No. of borrowers	-	1	-	-	1	-	2	1	4	7
Amount Outstanding (a)Restructured facility @	-	44.01	-	-	44.01	-	96.94	20.01	0.60	117.55
b)Other Facility @	-	2.69	-	-	2.69	-	13.80	4.62	-	18.42
Provision thereon @	-	5.77	-	-	5.77	-	25.35	-	0.03	25.38

@ Represents balance as on 31-03-2013

6 Other Facility include investments in Bonds/ Debentures amounting to ₹ 457.97 Crore.

7 There are no SME cases which have been restructured during the year ended 31 March, 2015

1.6.10 **Details of financial assets sold to Securitisation / Reconstruction companies for Asset Reconstruction:**

(₹in Crore)

Particulars	**31 March 2015**		**31 March 2014**
	Standard	**NPA**	**NPA**
(a) No of accounts	3	82	637#
(b) Aggregate value (net of provisions) of accounts sold to SC/RC	38.06	87.94	258.73
(c) Aggregate consideration	41.88	96.93	302.59
(d) Additional consideration realised in respect of accounts transferred in earlier years	-	-	5.51
(e) Aggregate gain/(loss) over net book value	3.82	2.36	49.37

Excludes 58 accounts already written off from books amounting to ₹17.04 Crore.

1.6.11 Details of sale of Financial Assets to Securitisation company/Reconstruction company

(₹ in Crore)

Particulars	Backed by NPAs sold by the bank as underlying		Backed by NPAs sold by other banks/ financial institutions/ non-banking financial companies as underlying		Total	
	As at 31 March, 2015	As at 31 March, 2014	As at 31 March, 2015	As at 31 March, 2014	As at 31 March, 2015	As at 31 March, 2014
Book value of investments in security receipts	442.91	341.86	-	-	442.91	341.86

1.6.12 **Details of non-performing financial assets purchased/sold**

A. Details of non-performing financial assets purchased:

(₹ in Crore)

Particulars	**31st March 2015**	**31st March 2014**
1. (a) No. of accounts purchased during the year	NIL	NIL
(b) Aggregate outstanding		
2. (a) Of these, number of accounts restructured during the year		
(b)Aggregate outstanding		

B. Details of non-performing financial assets sold:

(₹ in Crore)

Particulars	**31st March 2015**	**31st March 2014**
1.No of Accounts sold	NIL	NIL
2. Aggregate outstanding		
3.Aggregate consideration received		

1.6.13 During the year ended 31March, 2015 and 31 March, 2014 there are no unsecured advances for which intangible securities such as charge over the rights, licences, authority etc. has been taken as collateral by the Bank.

1.6.14 Movement in technical/prudential Written off accounts is set out below:

(₹in Crore)

Particulars	**31.03.2015**	**31.03.2014**
Opening balance at the beginning of the year	**1225.20**	**806.23**
Add: Technical write-offs during the year	225.10	466.12
Sub Total (A)	**1450.30**	**1272.35**
Less: Reduction due to recovery made from previously technical/prudential written-off accounts during the year	55.87	30.11
Less: Reduction due to sale of NPAs to ARCs from previously technical/prudential written-off accounts during the year	-	17.04
Less: Sacrifice made from previously technical/prudential written-off accounts during the year	15.95	-
Sub Total (B)	**71.82**	**47.15**
Closing balance at the end of the year (A-B)	**1378.48**	**1225.20**

1.7. **Asset Liability Management**

A maturity pattern of certain items of assets and liabilities at 31 March, 2015 and 31 March, 2014 is set out below:

Year ended 31 March, 2015

(₹ in Crore)

Maturity Pattern	Deposits	Advances	Investments	Borrowings	Foreign Currency Assets	Foreign Currency Liabilitie s
Day 1	298.30	1556.20	-	280.98	238.63	354.40
2 -7 days	1039.82	1375.49	2305.79	318.12	625.00	13.74

8-14 days	850.93	1275.35	-	-	3.81	29.23
15-28 days	1708.61	658.07	196.37	-	1.56	40.17
29 days to 3 months	5744.08	4305.36	1274.94	31.25	540.47	241.75
Over 3months and upto 6 months	6652.70	3919.79	105.64	419.10	509.96	356.42
Over 6 months and upto 1 Year	12905.99	6089.94	477.51	369.14	346.96	407.68
Over 1 Year and upto 3Years	25950.78	25407.13	234.67	829.86	90.35	417.70
Over 3 Years and upto 5 Years	1397.88	3412.41	753.30	59.79	42.59	537.53
Over 5 Years	14275.90	3285.25	19060.98	-	15.15	0.32
Total	**70824.99**	**51284.99**	**24409.20**	**2308.24**	**2414.48**	**2398.94**

Year ended 31 March, 2014

(₹ in Crore)

Maturity Pattern	Deposits	Advances	Investments	Borrowings	Foreign Currency Assets	Foreign Currency Liabilities
Day 1	212.58	1958.05	-	60.73	279.15	146.70
2 -7 days	1084.37	281.34	2299.64	1596.78	374.54	72.26
8-14 days	1292.02	276.34	-	-	354.16	70.76
15-28 days	1936.31	540.75	324.54	30.00	6.61	10.46
29 days to 3 months	4828.39	2060.26	1883.47	684.66	277.93	327.02
Over 3months and upto 6 months	5684.58	2112.80	362.90	906.02	196.44	644.24
Over 6 months and upto 1 Year	13982.13	6633.13	514.23	756.24	461.07	780.60
Over 1 Year and upto 3Years	27349.11	20395.94	263.25	1403.53	42.27	401.97
Over 3 Years and upto 5 Years	2095.61	4215.47	700.77	250.00	51.39	467.97
Over 5 Years	1266.18	4962.02	17769.05	-	62.98	-
Total	**59731.28**	**43436.10**	**24117.85**	**5687.96**	**2106.54**	**2921.98**

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 exclude forward exchange contracts.

1.8. Exposures

1.8.1 Exposure to Real Estate Sector

(₹ in Crore)

Category	2014-15	2013-14
a) Direct Exposure:		
(i) Residential Mortgages:- Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented;	6949.74	6032.95
(of which individual housing loans eligible for inclusion in Priority sector advances)	(3225.38)	(3427.10)
(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;	1345.27	1154.50
(iii) Investments in Mortgage Backed Securities (MBS) and other securitised exposures –		
a. Residential	Nil	105.71
b. Commercial Real Estate	Nil	20.66
b) Indirect Exposure:		
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	2270.37	585.24
Total Exposure to Real Estate sector	**10565.38**	**7899.06**

1.8.2 Exposure to Capital Market

(₹in Crore)

Category	31 March, 2015	31 March, 2014
(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;	157.42	168.32

(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;	0.29	0.37
(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;	0.15	4.05
(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;	0.03	-
(v) secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	60.03	114.96
(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)	39.23	47.83
Total Exposure to Capital Market	**257.15**	**335.53**

1.8.3 **Risk Category wise Country Exposure**

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

(₹ in Crore)

Risk Category*	Exposure (net) as at 31 March 2015	Provision held as at 31 March 2015	Exposure (net) as at 31 March 2014	Provision held as at 31 March 2014
Insignificant	760.72	-	585.35	-
Low	746.92	-	332.85	-
Moderate	256.23	-	35.06	-
High	7.84	-	2.62	-
Very High	1.23	-	6.39	-
Restricted	0.00	-	0.10	-
Off-credit	0.00	-	2.31	-
Total	**1772.94**	-	**964.68**	-

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

1.8.4 **Information on Concentration of deposits:**

(₹ in Crore)

	31 March, 2015	31 March, 2014
Total Deposits of Twenty Largest depositors	3220.76	2,129.02
Percentage of Deposits of twenty largest depositors to total deposits of the bank	4.55%	3.56%

Note: Exclude holders of certificate of deposits

1.8.5 **Information on Concentration of advances:**

(₹ in Crore)

	31 March, 2015	31 March, 2014
Total advances to Twenty Largest Borrowers	7218.59	7228.69
Percentage of advances to twenty largest Borrowers to total advances of the bank	10.51%	11.90%

Note: Advance is computed as per the definition of Credit Exposure in RBI Master Circular on Exposure Norms DBOD. No. Dir.BC.12/13.03.00/2014-15 dated July1, 2014.

1.8.6 **Information on Concentration of exposure:**

(₹ in Crore)

	31 March, 2015	31 March, 2014
Total exposures to Twenty Largest borrowers/customers	7666.50	7705.90
Percentage of exposures to twenty largest borrowers/customers to total exposure of the bank on borrowers/customers	10.06%	11.16%

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/ 2014-15 dated July1, 2014.

The bank has complied the data for the purpose of disclosure in Note No. 1.8.4 to 1.8.6 from its internal MIS system and has been furnished by the management , which has been relied upon by the auditors

1.8.7 Information on Concentration of NPAs:

(₹ in Crore)

	31 March, 2015	31 March, 2014
Total exposures to top four NPA accounts	247.85	166.54

1.8.8. During the year ended 31 March, 2015 and 31 March, 2014, the Bank's credit exposure to single borrower and group borrowers was within the prudential exposure limits prescribed by RBI.

1.8.9 Sector wise advances and NPA

The details of Sector-wise Gross Advances and Gross NPAs as at March 31,2015 and March 31,2014 are given below:

(₹ in Crore)

Sl. No.	Sector*	31 March, 2015			31 March, 2014		
		Gross Advances	Gross NPAs	% of Gross NPAs to Gross Advances in that sector	Gross Advances	Gross NPAs	% of Gross NPAs to Gross Advances in that sector
A	**Priority Sector**						
1.	Agriculture and allied activities	6313.57	126.23	2.00	4548.98	161.83	3.56
2.	Advances to industries sector eligible as priority sector lending	3479.02	88.46	2.54	2982.12	84.77	2.84
	Of which Food processing	*1216.99*	*3.23*	*0.26*	*835.46*	*9.93*	*1.19*
3.	Services	3737.49	159.17	4.26	3909.31	164.38	4.20
4.	Personal loans	-	-	-	-	-	-
5.	Others	4071.93	116.45	2.86	3966.46	151.74	3.83
	Sub-total (A)	**17602.01**	**490.31**	**2.79**	**15406.87**	**562.72**	**3.65**

B	**Non Priority Sector**						
1.	Agriculture and allied activities	-	-	-	-	-	-
2.	Industry	9249.22	345.07	3.73	9263.35	328.06	3.54
	Of which Electricity (generation – transportation and distribution)	*2359.61*	-	-	*2043.64*	-	-
3.	Services	13030.11	148.28	1.14	9337.08	139.43	1.49
4.	Personal loans	41.82	2.18	5.22	48.20	2.15	4.46
5.	Others	12028.21	71.89	0.60	10101.77	55.05	0.54
	Sub-total (B)	**34349.36**	**567.42**	**1.65**	**28750.40**	**524.69**	**1.82**
	Total (A+B)	**51951.37**	**1057.73**	**2.04**	**44157.27**	**1087.41**	**2.46**

*Classification into sectors/subsectors as above has been done based on Bank's internal norms.

1.8.10 Details of Intra-Group Exposure

(₹ in Crore)

Sl. No.	**Particulars**	**31March 2015**	**31March 2014**
1	Total amount of intra-Group exposure*	648	598
2	Total amount of top-20 intra group exposure*	648	598
3	Percentage of intra group exposures to total exposure of the bank to borrowers/ customers *(%)	0.85%	0.92%
4	Details of breach of limits on intra-group exposures and regulatory action thereon, if any	NIL	Nil

* Exposure is computed as per the definition of Credit and Investment Exposure in RBI Master Circular on Exposure Norms DBOD. No. Dir.BC.12/13.03.00/ 2014-15 dated July1, 2014.

1.8.11 Transfers to Depositor Education and Awareness Fund (DEAF)

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 DEAF. Details of amounts transferred to DEAF are set out below:

(₹ in Crore)

Particulars	31 March, 2015	31 March, 2014
Opening balance of amounts transferred to DEAF	-	-
Add: Amounts transferred to DEAF during the year	67.80	-
Less: Amounts reimbursed by DEAF towards claims	1.00	-
Closing balance of amounts transferred to DEAF	66.80	-

Note: The provisions of DEAF Scheme, 2014 are effective from May 24, 2014 and hence prior period figures are not applicable.

1.9. Details of Penalty imposed by RBI

(Rs. in Lakhs)

Particulars	2014-15	2013-14
Penalty for certain operating deficiencies	0.55	-
Penalty for Non- compliance of instructions with respect to direction on Know your Customer (KYC) norms/ Anti Money Laundering (AML) standards, Cash transactions and sale of third party products.	NIL	300.00
Dates of Payment	Various dates	23rd July, 2013

Note : Penalty was imposed by RBI in terms of Section 47A read with section 46 of the Banking Regulation Act, 1949.

1.10. **Disclosure of customer complaints**

	Particulars	31 March, 2015	31 March, 2014
(a)	No. of complaints pending at the beginning of the year	69	48
(b)	No. of complaints received during the year	4201	2743
(c)	No. of complaints redressed during the year	4208	2722
(d)	No. of complaints pending at the end of the year	62	69

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

1.11. Disclosure of Awards passed by the Banking Ombudsman

		31 March, 2015	31 March, 2014
(a)	No. of unimplemented awards at the beginning of the year	1@	1@
(b)	No. of awards passed by the Banking Ombudsman	-	-
(c)	No. of awards implemented during the year	-	-
(d)	No. of unimplemented awards at the end	1@	1@

	of the year		

@ Appeal rejected by Appellate Authority, case filed in High Court and stay obtained

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

1.12. **Draw Down from Reserves**

The Bank has not made any draw down from reserves during the year.

In accordance with Reserve Bank of India circular DBOD.No.BP.BC.77/21.04.018/ 2013-14 dated 20 December 2013, the Bank has provided deferred tax liability in respect of special reserve created under Section 36 (1) (viii) of the Income Tax Act 1961 for the period upto 31 March 2013 amounting to ₹ 53.96 Crore by drawing down the balance from Revenue Reserve during the previous year.

1.13. **Letter of Comfort**

The Bank has not issued any letters of comfort (LoC) on behalf of its subsidiaries.

1.14. **Bancassurance Business**

Details of income earned from bancassurance business:

(₹ in Crore))

Sl. No.	Nature of Income *	31March 2015	31March 2014
1	For selling life insurance policies	20.29	20.20
2	For selling non-life insurance policies	2.09	1.73
3	For selling mutual fund products	0.97	0.68
4	Others	3.36	1.95

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

1.15. **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.

1.16. **Details of Overseas Assets, NPAs and Revenue - Nil**

1.17 **Securitisation Transactions**

The Bank has not done any securitisation transactions during the year ended 31 March, 2015 and 31 March, 2014.

1.18 Disclosures on Remuneration

(i) Qualitative disclosures

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

The Remuneration Committee of the Board oversees the framing, review and implementation of the compensation policy of the Bank, on behalf of the Board.

This committee works in coordination with Risk Management Committee of the Bank, in order to achieve effective alignment between risk and remuneration.

As on 31 March, 2015, the remuneration committee of the Board comprises of the following Independent Directors:

- Shri Nilesh S Vikamsey - Chairman
- Prof. Abraham Koshy
- Shri Sudhir M Joshi

The above committee of the Board functions with the following objectives:

a) To review the Compensation package for the MD and CEO and Executive Director and recommend revisions for Board approval

b) To consider and approve issuance and allotment of ESOS shares to MD/ED and employees of the Bank.

c) To develop and implement an effective compensation policy, as per RBI guidelines

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

The compensation payable to MD & CEO, ED and Senior Executives is divided into fixed and variable components. The fixed compensation is determined based on the industry standards, the exposure, skill sets, talent and qualification attained by the official over his/her career span etc. Approval from RBI is obtained to decide fixed compensation for MD & CEO and ED.

The variable compensation for MD & CEO and senior executives (Non – IBA package i.e. CGM and above) are determined based on Bank's performance and Key Performance Areas (KPA) set for the official. KPAs contain targets on risk adjusted metrics such as Risk Adjusted Return on Capital (RAROC), Risk

Adjusted Return on Risk Adjusted Capital (RARORAC), in addition to target on NPAs.

The objectives of the remuneration policy are four fold:

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

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 four categories

MD & CEO / ED
Senior Executives (Non IBA package)
Senior Executives (On IBA package)
Other members of staff (on IBA package)

Limit on variable pay

The variable compensation offered to an official would not exceed 70% of the total fixed compensation

Severance pay and guaranteed bonus

Severance pay (other than gratuity or terminal entitlements or as entitled by statute) is not paid to any official of the organization

Sign on bonus or joining bonus is limited to the first year and is paid only as Employee stock options

Hedging
No compensation scheme or insurance facility would be provided by the Bank to employees to hedge their compensation structure to offset the risk alignment mechanism (deferral pay and clawback arrangements) embedded in their compensation arrangement

Compensation Recovery policy

A claw back arrangement or a compensation recovery policy is provided, which will entail the Bank to recover proportionate amount of variable compensation paid to the above 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 claw back arrangement would be valid for a period of three years from the date of payment of variable compensation.

Committees to mitigate risks caused by an individual decision

In order to further balance the impact of market or credit risks caused to the organization 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' exposure to liquidity risk are also monitored by ALCO.

Integrated Risk Management Department (IRMD)

In order to effectively govern the compensation structure,IRMD would assist the Remuneration Committee of the Board to monitor, review and control various risks and balance prudent risk taking with the compensation paid out to top executives and other employees

Compensation of risk control staff

The total fixed and variable compensation paid out to the employees of IRMD are independent of business parameters and rendering of effective support to the Remuneration Committee of the Board. The variable compensation component (Performance Linked Incentive or PLI) will be subjected to a minimum and greater proportion of compensation will be fixed in nature to ensure autonomy and independence from business goals

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

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

Compensation paid to Senior executives and other staff members on IBA package

The compensation paid to other officials that include Award staff, Officers coming under Scale I to III and Senior executives coming under Scale IV to VII is fixed based on the periodic industry level settlements with Indian Banks Association. The variable compensation paid to these functionaries is based on the Performance Linked incentive scheme which has been formulated on the basis of performance parameters set in Performance Management System

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

Deferred compensation and Performance Linkage

In the event variable compensation paid to MD & CEO, ED and Senior Executives (Non-IBA) exceeds more than 50% of the fixed compensation for the year on account of high level of Bank's performance, 60% of the variable pay so entitled to the official will be deferred for payment over a period of 3 years. The amount is parked in an escrow account and the payment will be made in the ratio of 20:30:50 over a period of three years, i.e.,

- 20 % of the deferred compensation will be paid in the first year
- 30% of the deferred compensation in the second year; and
- 50 % of the deferred compensation in the third year

Clawback and deferral arrangements

The provisions of clawback and deferral arrangements are applicable to the referred functionaries and all employees in the event their variable compensation exceeds 50 % of their fixed emoluments

f) Description of the different forms of variable remuneration

Bank uses an optimum mix of cash, ESOPS and variable PLI to decide the compensation of employees in all categories. The distribution of ESOPS and variable PLI 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. The Officers in Scale I-III as well as Award staff come under the purview of IBA package that is as per the Industry wide settlements. Variable compensation, ESOP, is linked with seniority in these levels.

(ii) Quantitative disclosures

			31 March, 2015	31 March, 2014
(a)	Number of meetings held by the Remuneration Committee during the financial year and remuneration paid to its members.		4 ₹ 2,30,000	10 ₹ 360,000
(b)	(i)	Number of employees having a variable remuneration award during the financial year.	3	3
	(ii)	Number and total amount of sign-on awards made during the financial year.	Nil	Nil
	(iii)	Details of guaranteed bonus, if any, paid as joining / sign on bonus	Nil	Nil
	(iv)	Details of severance pay, in addition to accrued benefits, if any.	Nil	Nil
(c)	(i)	Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms	Nil	Nil
	(ii)	Total amount of deferred remuneration paid out in the financial year.	Nil	Nil
(d)	Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred (₹ in Crore)		1.51(Fixed) 0.34(Variable)	1.54(Fixed) 0.26(Variable)
(e)	Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and / or implicit adjustments.		Nil Nil Nil	Nil Nil Nil

1.19 Unhedged Foreign Currency Exposure

The Bank has in place a policy on managing credit risk arising out of unhedged foreign currency exposures of its borrowers. The objective of this policy is to maximize the hedging on foreign currency exposures of borrowers by reviewing their foreign currency exposures and encouraging them to hedge the unhedged portion. The policy framework also articulates the methodologies for ascertaining the amount of unhedged foreign currency exposures, estimating the extent of likely loss, estimating the riskiness of the unhedged position and making appropriate provisions and capital charge as per extant RBI guidelines. In line with the policy, assessment of unhedged foreign currency exposure is a part of credit appraisal while proposing limits or at the review stage. Further, the bank reviews the unhedged foreign currency exposure across its portfolio on a periodic basis. The Bank maintains incremental provisions and additional capital for the unhedged foreign currency exposures of its borrowers in line with the extant RBI guidelines. The Bank has maintained ₹ 8.45 Crore as provision and ₹ 9.49 Crore as additional capital for computation of capital adequacy Ratio on account of the unhedged foreign currency exposures of borrowers as at March 31, 2015.

1.20 Liquidity Coverage Ratio (LCR)

(₹ in Crore)

		31 March 2015	
		Total Un weighted value (Avg)	Total weighted value (Avg)
High Quality Liquid Assets			
1	Total high Quality Liquid Assets (HQLA)	7594.56	7485.40
Cash Outflows			
2	Retail deposits and deposits from small business customers of which:	62865.40	4848.03
(i)	Stable deposits	28770.18	1438.51
(ii)	Less Stable deposits	34095.22	3409.52
3	Unsecured wholesale funding of which;	2736.54	1455.37
(i)	Operational deposits (all counterparties)	84.68	19.31
(ii)	Non-operational deposits (all counterparties)	2651.86	1436.06
(iii)	Unsecured debt	-	-
4	Secured wholesale funding	-	-
5	Additional requirements, of which	129.77	129.77
(i)	Outflows related to derivative exposures and other collateral requirements	129.77	129.77
(ii)	Outflows related to loss of funding on debt products	-	-
(iii)	Credit and liquidity facilities	-	-
6	Other contractual funding obligations	13296.53	1233.98
7	Other contingent funding obligations	4326.77	216.34
8	**Total Cash Outflows**	**83355.01**	**7883.49**
Cash inflows			
9	Secured lending (e.g. reverse repos)	-	-
10	Inflows from fully performing exposures	2034.95	967.47
11	Other cash inflows	287.33	287.33
12	**Total Cash Inflows**	**2222.27**	**1254.80**

13	TOTAL HQLA	-	7485.40
14	Total Net Cash Outflows	-	6628.69
15	Liquidity Coverage Ratio (%)	-	112.92%

Qualitative Disclosure

The Bank measures and monitors the LCR in line with the Reserve Bank of India's circular dated June 9, 2014 on "Basel III Framework on Liquidity Standards – Liquidity Coverage ratio (LCR), Liquidity Risk Monitoring Tools and LCR Disclosure Standards". 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. Bank has computed LCR on a monthly basis and has maintained LCR well above the regulatory minimum during the quarter. Bank could consistently maintain LCR above 100% during the quarter. Bank has not computed LCR for any foreign currency exposure since the aggregate liabilities denominated in any foreign currency doesn't amount to 5 percent or more of the Bank's total liabilities.

On an average, 90% of the HQLA maintained by the Bank comprises of Level 1 assets which is the most liquid asset category. Cash in hand, excess CRR and SLR, G- Sec within mandatory SLR requirement permitted by RBI under MSF (presently 2% of NDTL) and facility to avail liquidity ratio (5% of NDTL) constitutes Level 1 HQLA. Level 2 Assets maintained by the Bank comprises of marketable securities representing claims on or claims guaranteed by sovereigns, Public Sector Entities (PSEs) or multilateral development banks that are assigned a 20% risk weight under the Basel III Standardized Approach for credit risk and that are not issued by a bank/financial institution/NBFC or any of its affiliated entities and Corporate bonds, 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 should provide the Bank with adequate and timely liquidity.

Bank has a well diversified funding portfolio. Retail deposits, considered as stable from a liquidity perspective is the major funding source of the Bank and it forms around 76.50% of the Bank's total liabilities. Wholesale deposits and Inter- bank deposits constitutes only about 9% of the liabilities, indicating lower dependence of the Bank on wholesale funds.

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

2. Other Disclosures

2.1. Earnings per Share ('EPS')

Particulars	31 March 2015	31 March 2014
Weighted average number of equity shares used in computation of basic earnings per share (in 000's)	8,55,830	8,55,306
Weighted average number of equity shares used in computation of diluted earnings per share (in 000's)	8,55,830	8,55,306
Nominal Value of share (in Rs)	2	2
Basic earnings per share (in Rs)	11.75	9.81
Diluted earnings per share (in Rs)	11.75	9.81
Earnings used in the computation of basic and diluted earnings per share (₹ in '000)	1,00,57,505	83,88,877

2.2 A. Subscribed and paid up capital includes:

(i) 16,590 shares of ₹2/- each (Previous Year 16590 shares of ₹ 2/- each) issued for consideration other than cash

(ii) 1,66,66,588 underlying equity shares of ₹2/- each (Previous Year 2,10,25,590 of ₹2/- each) held by custodian on behalf of holders of Global Depository Receipts (GDRs)

(iii) 14,14,692 ESOS shares of ₹2/- per share (previous year 74,280 shares of ₹2/- Per share) allotted under ESOS 2010.

B. Allotment of 6,530 shares of ₹2/- each (Previous year 6,530 shares of ₹2/- each pertaining to the Right issue of 1993 issued at premium of ₹25/- per share and 2,62,100 shares of ₹2/- each (Previous year 2,62,100 shares of ₹2/- per share) pertaining to the Rights issue of 1996 issued at a premium of ₹140/- per Share and 10,80,415 equity shares of ₹2/- each (previous year 10,83,415 shares of ₹2/- per share, at a premium of ₹240/- per share) pertaining to Rights issue of 2007 are kept pending following orders from various courts.

Issue of certificates/credit in demat account in respect of 4,11,940 shares of ₹2/- each (previous year 4,12,940 shares of Rs.2/- each) out of the Bonus issue of 2004 are kept in abeyance consequent to injuction orders from various courts.

2.3. **Employee Stock Option Scheme ("ESOS"):**

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

Number of Options

	31 March, 2015	31 March, 2014
Outstanding at the beginning of the year	3,70,27,805	2,72,31,395
Surrendered during the year	-	-
Granted during the year*	55,78,225	1,30,47,125
Exercised during the year	13,40,412	16,125
Forfeited/lapsed during the year	7,03,525	32,34,590
Outstanding at the end of the year	4,05,62,093	3,70,27,805
Options exercisable	2,04,87,033	1,37,95,665

*ESOS granted on 12th September, 2014 with vesting period of 1,2,3 and 4 years. Exercise period of 5 years and exercise price of ₹ 124/- per share.

As per SEBI guidelines the accounting for ESOS can be done either under the 'Intrinsic value basis' or 'Fair value basis'.

The Compensation Committee in their meeting dated10/05/2012 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 24 December 2010

The exercise price of the options granted is the same as the market price on the date prior to grant date and hence there is no intrinsic value for the options, which has to be amortized over the vesting period. If "Fair Value Method" had been adopted based on "Black-Scholes pricing model" for pricing and accounting of options, net profit would be lower by₹ 25.42 Crore (Previous Year: ₹20.03 Crore)

The modified basic and diluted earnings per share for the year, had the company followed Fair Value Method of accounting for ESOS compensation cost would be ₹11.45 and ₹ 11.33 (Previous Year:₹9.57 and ₹9.51) respectively.

ii) **Dividend paid on shares issued on exercise of stock option**

The Bank may allot shares between the Balance Sheet date and record date for the declaration of dividend pursuant to the exercise of any employee stock options. These shares will be eligible for full dividend for the year ended 31 March 2015, if approved at the ensuing Annual General Meeting. Dividend relating to these shares has not been recorded in the current year.

iii) Dividend (Including tax/cess thereon) appropriation of ₹ 0.02 Crore represent dividend for Financial Year 2013-14 on the shares issued under Employee Stock Options Scheme before the record date, as per shareholders approval.

2.4. Segment Reporting (AS 17)

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 and corporate debt instruments, equity and mutual funds, derivative trading and foreign exchange operations on proprietary account and for customers.

The income of this segment primarily consists of earnings from the investment portfolio of the bank, gains and losses on trading operations. The principal expense of the segment consists of interest expense on funds borrowed/utilized and other allocated overheads.

Corporate/Wholesale Banking:

This segment provides loans and other banking services to Corporate and other clients where value of individual exposure to the Clients exceeds ₹ 5 Crore as defined by RBI. Revenue of this segment consists of interest and fees earned on loans to such customers and charges and fees earned from other banking services. Expenses of this segment primarily consist of interest expense on funds utilized and allocated overheads

Retail banking:

Retail banking constitutes lending and other banking services to individuals/small business customers, other than corporate/wholesale banking customers, identified on the basis of RBI guidelines.

Revenue of this segment consists of interest earned on loans made to such customers and charges /fees carried from other banking services to them. The principal expenses of the segment consist of interest expenses on funds borrowed and other expenses.

Other Banking Operations

This segment includes parabanking activities like third party product distribution and other banking transactions, not covered under any of the above segments. The income from such services and associated costs are disclosed in this segment.

Segment results as on 31 March 2015, are set out below:

(Amount in ₹Crore)

Business Segments	Treasury	Corporate/ Whole sale Banking	Retail Banking	Other Banking Operations	Total
Revenue	2250.27	2349.93	3577.97	119.60	8297.77
Result (net of provisions)	342.18	333.99	761.12	103.72	1541.01
Unallocated expense					(19.97)
Operating profit (PBT)					1521.04
Income taxes					(515.29)
Extraordinary profit/loss					-
Net Profit					1005.75

OTHER INFORMATION					
Segment Assets	28815.23	20520.08	31048.89	24.32	80408.52
Unallocated assets					2441.96
Total assets					82850.48
Segment liabilities	26245.20	19181.63	29083.69	-	74510.52
Unallocated liabilities					601.82
Total liabilities					75112.34

Segment results as on 31 March 2014, are set out below:

(Amount in ₹Crore)

Business Segments	Treasury	Corporate/Whol e sale Banking	Retail Banking	Other Banking Operations	Total
Revenue	2117.92	2233.40	3146.58	142.03	7639.93
Result (net of provisions)	149.90	291.62	663.46	121.80	1226.78
Unallocated expense					(14.79)
Operating profit (PBT)					1211.99
Income taxes					(373.10)
Extraordinary profit/loss					--
Net Profit					838.89
OTHER INFORMATION					
Segment Assets	28338.42	18443.57	26459.06	15.39	73256.44
Unallocated assets					1337.71
Total assets					74594.15
Segment liabilities	25331.70	17066.36	24520.37	-	66918.43
Unallocated liabilities					725.13
Total liabilities					67643.56

Geographic Segment Information

The business of the bank is concentrated in India. Accordingly, disclosure of geographical segment results is not applicable.

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

2.5. **Related Party Disclosures**

a) Details of Related Parties:

Name of the Party	Nature of Relationship
IDBI Federal Life Insurance Company Limited	Associate
FedBank Financial Services Limited	Subsidiary
Sri. Shyam Srinivasan, Managing Director & CEO	Key Management Personnel
Mr. P C John , Executive Director & CFO (Upto 30th April, 2013)	Key Management Personnel
Sri. Abraham Chacko (Executive Director)	Key Management Personnel

b) Significant transactions with related parties:

(₹ Crore)

Particulars	Key Management Personnel #	
	31 March 2015	31 March 2014
Remuneration		
Sri. Shyam Srinivasan	0.78	0.95
Mr. P C John (including Retirement Benefits)	-	0.20
Sri. Abraham Chacko	0.75	0.82
Dividend Paid	*	*

Asterisk denotes figures below ₹1 Lakh

During the year 2014-15: 641 Thousands (Previous Year: 966 Thousands) number of Stock Options under "ESOS 2010" Scheme were granted to Managing Director & CEO and Executive Director.

The normal transactions of the Bank with the above persons as constituents are not reckoned for the purpose of disclosure.

Note: In accordance with the RBI Guidelines on Compliance with the Accounting Standards by the Banks, the details of transactions with associate/joint venture and subsidiary company have not been disclosed since there is only one entity in the respective category of the related party.

2.6. **Fixed Assets**

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

(₹ in Crore)

Particulars	31 March, 2015	31 March, 2014
Gross Block		
At the beginning of the year	79.12	70.47
Additions during the year	14.50	8.65
Deductions during the year	-	-
Closing Balance	93.62	79.12
Depreciation / Amortisation		
At the beginning of the year	53.79	36.51
Charge for the year	17.98	17.28
Deductions during the year	-	-
Depreciation to date	71.77	53.79
Net Block	21.85	25.33

2.7. 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 valuers was credited to Revaluation Reserve. There has been no revaluation of assets during this year.

2.8. Depreciation

During the year, pursuant to the notification of Schedule II to the Companies Act, 2013 with effect from April 1, 2014, the Bank changed its method of depreciation for certain categories of fixed assets from written down value (WDV) method to straight line method (SLM). Consequent to this change, all assets are now being depreciated under SLM except Premises which continues to be depreciated at WDV with useful life as mentioned in Schedule II to the Companies Act, 2013. The Bank also revised the estimated useful life of some of its assets to align the useful life with those specified in Schedule II. Further, assets individually costing ₹ 5,000/- or less that were depreciated fully in the year of purchase are now depreciated based on the useful life considered by the Bank for the respective category of assets. The details of previously and currently applied depreciation method, rates / useful life are as follows;

Asset	Previous Method of Depreciation	Previous Rate (%)	Current Method	Current Rate (%)	Useful life as per current method (Years)
Premises	WDV	5.00	WDV	5.00	60
Electrical equipment and Other fittings	WDV	13.91	SLM	9.80	10
Furniture	WDV	18.10	SLM	9.80	10
Cycles	WDV	20.00	SLM	9.80	10
Vehicles	WDV	25.89	SLM	12.25	8
Computers	SLM	33.33	SLM	33.33	3
Improvements to Leased premises	SLM	20.00	SLM	20.00	5

Pursuant to the transitional provisions prescribed in Schedule II to the Companies Act, 2013, the Bank has fully depreciated the carrying value of assets (determined after considering the change in the method of depreciation from WDV to SLM), net of residual value, where the remaining useful life of the asset was determined to be nil as on April 1, 2014, and has adjusted an amount of ₹ 2.32 Crore (net of deferred tax of ₹.1.19 Crore) against the opening Surplus balance in the Statement of Profit and Loss under Reserves and Surplus.

The bank has changed the method of providing depreciation from written down value method to Straight line method for certain assets from 1st April, 2014. This change in method has resulted in excess depreciation charge in earlier years amounting to ₹ 24.37 Crore which has been reversed to Profit and Loss Account for the quarter and nine months ended 31st December, 2014.

The depreciation expense in the Profit and Loss Account for the year is lower by Rs. 4.69 Crore consequent to the above change in the method of depreciation .

2.9. Deferred Tax Assets / Liability

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

(₹ in Crore)

	31 March 2015	31 March 2014
Deferred Tax Liability		
Tax effect of items constituting deferred tax liability:		
(i) Interest accrued but not due	142.16	137.83
(ii) Depreciation on Investments	106.43	349.70
(iii) Depreciation on Fixed Assets	-	2.80

(iii) Reserve under Section 36(1)(viii) of the Income Tax Act, 1961	80.28	12.99
Total (A)	**328.87**	**503.32**
Deferred Tax Asset		
Tax effect of items constituting deferred tax assets:		
(i) Interest/premium paid on purchase of securities	78.10	65.89
(ii) Provision for Standard Assets	99.24	83.41
(iii) Depreciation on Fixed Assets	1.88	-
(iv) Others	108.97	227.02
Total (B)	288.19	376.32
Deferred tax liability/ (Asset) (A-B)	**40.68$**	**127.00**
Less: Deferred tax on value of assets depreciated on expiry of useful life as on 1 April, 2014.	**1.19**	**-**
Add: Deferred tax on Reserve under Section 36(1)(viii) of the Income Tax Act, 1961, upto 31 March, 2013 drawn from Revenue Reserve	**-**	**53.96**
Less: Deferred tax on Provision for NPA and other disallowances by the Income Tax Department / reversal	**-**	**(104.70)**
Net Deferred tax liability/ (Asset)	**39.49**	**285.66$**

$ Net of Deferred tax of ₹ 244.98 Crore (Previous Year ₹ 252.39 Crore [debited]) credited to Profit and Loss Account

2.10. Employee Benefits

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. The Bank has no obligation other than the monthly contribution.

The Bank recognized ₹ 0.30 Crore (Previous Year: ₹ 0.34Crore) for provident fund contribution in the Profit and Loss Account

New Pension Scheme

As per the industry level settlement dated 27/04/2010, employees who joined the services of the Bank on or after 01/04/2010 are not eligible for the existing pension scheme whereas they will be eligible for Defined Contributory Pension

Scheme (DCPS) in line with the New Pension Scheme introduced for employees of Central Government. Employee shall contribute 10% of their Basic Pay and Dearness Allowance towards DCPS and the Bank will also make a matching contribution. There is no separate Provident Fund for employees joining on or after 01/04/2010.

The Bank recognized ₹ 13.34 Crore (Previous year: ₹9.41Crore) 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 lumpsum payment to vested employees on retirement, death, incapacitation or termination of employment, of an amount based on the respective employees' salary and the tenure of employment. Vesting occurs upon completion of five years of service as per Payment of Gratuity Act, 1972 and its amendment with effect from 24.05.2010 or as per the provisions of the Federal Bank Employees' Gratuity Trust Fund Rules / Bi-partite Award provisions. Liabilities with regard to the Gratuity Plan are determined by Actuarial valuation as on the Balance Sheet date, based upon which, the Bank contributes all the ascertained liabilities to the Federal Bank Employees' Gratuity Trust Fund (the "Trust"). Trustees administer contributions made to the Trust and contributions are invested in specific investments as permitted by law.

Superannuation / Pension

The Bank provides for monthly pension, a defined benefit retirement plan (the "pension plan") covering eligible employees. The pension plan provides a monthly pension after retirement of the employees till death and to the family after the death of the pensioner. The monthly pension is based on the respective employees' salary and the tenure of employment. Vesting occurs upon completion of ten years of service. The Bank pays the monthly pension by purchasing annuities from Life Insurance Corporation of India (LIC). 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 (the "Trust"). Trustees administer contributions made to the Trust and contributions are invested in specific investments as permitted by law.

The following table as furnished by Actuary sets out the funded status of gratuity / pension plan and the amount recognized in the Bank's financial statements as at March 31, 2015.

i) Change in benefit obligations:

(₹ in Crore)

Particulars	Gratuity Plan		Pension Plan	
	31 March, 2015	31 March, 2014	31 March, 2015	31 March, 2014
Projected benefit obligation, beginning of the year	201.26	240.13	531.78	584.12
Service Cost	13.59	13.07	56.51	47.11
Interest cost	15.03	19.75	36.90	44.22
Actuarial (gain)/ loss	6.33	(42.74)	103.42	13.77
Benefits paid	(26.87)	(28.95)	(141.13)	(157.44)
Projected benefit obligation, end of the year	**209.34**	**201.26**	**587.48**	**531.78**

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

Particulars	Gratuity Plan		Pension Plan	
	31 March, 2015	31 March, 2014	31 March, 2015	31 March, 2014
Plan assets at beginning of the year at fair value	230.83	221.67	416.25	444.17
Expected return on plan assets	20.52	19.49	36.96	38.33
Actuarial gain/(loss)	(0.96)	0.16	3.56	0.26
Employer's Contributions	-	18.46	228.76	90.93
Benefits paid	(26.87)	(28.95)	(141.13)	(157.44)
Plan assets at end of the year, at fair value	223.52	230.83	544.40	416.25

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

(₹ in Crore)

Particulars	Gratuity Plan		Pension Plan	
	31 March, 2015	31 March, 2014	31 March, 2015	31 March, 2014
Fair value of plan assets at the end of the year	223.52	230.83	544.40	416.25
Present value of the defined benefit obligations at the end of the year	209.34	201.26	587.48	531.78
Liability/ (Asset) recognized in the Balance Sheet	(14.18)	(29.57)	43.08	115.53@

@ Includes amount payable on account of transitional liability due to second option for pension ₹ Nil (Previous year ₹33.68Crore)

iv) Gratuity/ pension cost for the year ended 31st March, 2015

(₹ in Crore)

Particulars	Gratuity Plan		Pension Plan	
	31 March, 2015	31 March, 2014	31 March, 2015	31 March, 2014
Service cost	13.59	13.07	56.51	47.11
Interest cost	15.03	19.75	36.90	44.22
Expected return on plan assets	(20.52)	(19.49)	(36.96)	(38.33)
Actuarial (gain)/loss	7.29	(42.90)	99.86	13.51
Employee Cost	15.39	(29.57)	156.31	66.51
Amortisation Cost	-	-	33.68	33.68
Net cost Debit to Profit and Loss account	15.39	(29.57)	189.99	100.19
Amount not debited in profit and loss account, but carried over to be amortised in future years *	-	-	-	33.68
Actual return on plan assets	19.56	19.65	40.52	38.59

*See item No.2.11 of Schedule 18

v) Investment details of plan Assets

(₹in Crore)

Particulars	Gratuity Plan		Pension Plan	
	31 March, 2015	31 March, 2014	31 March, 2015	31 March, 2014
Central and state Government bonds	40.13	42.66	129.72	134.04
Other debt securities	27.15	27.65	79.05	82.04
Balance in Saving bank account with the Bank	2.14	1.17	56.83	2.94
Net current assets	1.89	2.04	5.88	6.15
Balance with LIC#	152.21	157.31	272.92	191.08
Total	**223.52**	**230.83**	**544.40**	**416.25**

In the absence of detailed information regarding plan assets which is funded with Life Insurance Corporation of India, the composition of each major category of plan assets, the percentage or amount for each category to the fair value of plan assets has not been disclosed.

vi) Experience adjustments

i) Gratuity Plan

(₹in Crore)

	31 March 2015	31 March 2014	31 March 2013	31 March 2012	31 March 2011
Defined Benefit Obligations	209.34	201.26	240.13	225.25	203.51
Plan Assets	223.52	230.83	221.67	198.87	184.69
Surplus/[Deficit]	14.18	29.57	(18.46)	(26.38)	(18.82)
Experience adjustments on Plan Liabilities [Gain / (Loss)]	(6.31)	(5.74)	17.02	0.03	13.89
Experience Adjustments on Plan Assets [Gain / (Loss)]	1.19	1.76	22.33	0.64	(0.26)

ii) Pension Plan

(₹in Crore)

	31 March 2015	31 March 2014	31 March 2013	31 March 2012	31 March 2011
Defined Benefit Obligations	587.48	531.78	584.12	598.76	589.34
Plan Assets	544.40	416.25	444.17	422.62	404.04
Surplus/ [Deficit]	(43.08)	(115.53)	(139.95)	(176.14)	(185.30)
Experience adjustments on Plan Liabilities [Gain / (Loss)]	(79.75)	(8.18)	(1.22)	450.11	0.59
Experience Adjustments on Plan Assets [Gain / (Loss)]	2.19	3.03	1.38	0.96	(0.37)

vii) **Assumptions**

Particulars	Gratuity Plan		Pension Plan	
	31 March, 2015	31 March, 2014	31 March, 2015	31 March, 2014
Discount rate	8.00%	8.75%	8.00%	8.75%
Annuity rate per Rupee	-	-	126.18297	126.18297
Salary escalation rate	5.10%	5.10%	5.10%	5.10%
Estimated rate of return on plan assets	8.89%	8.79%	8.88%	8.63%
Attrition Rate	3.00%	3.00%	3.00%	3.00%
Mortality Table	IALM 2006-08 Ultimate	IALM 2006-08 Ultimate	IALM 2006-08 Ultimate	IALM 2006-08 Ultimate

The estimates of future salary increases 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

(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 unutilized accrued compensated absence for a maximum of 240 days. The Bank records an obligation for compensated absences in the period in which the employee renders the services that increase this entitlement. The Bank measures the expected cost of compensated absence as the additional amount that the Bank expects to pay as a result of the unused entitlement that has accumulated at the balance sheet date based on actuarial valuations.

A sum of ₹8.73 Crore (Previous year: ₹2.13Crore) has been provided towards the above liabilities in accordance with AS 15 (Revised) based on actuarial valuation.

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

(₹ in Crore)

	31March 2015	**31March 2014**
Privilege leave	120.89	115.99
Sick leave	30.93	30.77
Leave Travel Concession	11.03	7.67
Casual Leave	0.82	0.51
Total actuarial liability	163.67	154.94
Assumptions		
Discount rate	8.00%	8.75%
Salary escalation rate	5.10%	5.10%
Attrition Rate	3.00%	3.00%

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.

2.11. The net liability arising on exercise of second option for Pension by employees (other than separated / retired employees) actuarially determined during Financial Year 2010-11 at ₹168.43 Crore is amortised equally over a period of five years pursuant to the exemption from the application of the provisions of the Accounting Standard (AS) 15, Employee Benefits, granted by the Reserve Bank of India and made applicable to the Bank vide letter no. DBOD No.BP.BC.15896 / 21.04.018 / 2010-11 dated April 8, 2011. Accordingly, an amount of ₹33.68 Crore (Previous Year: ₹ 33.68 Crore), being proportionate amount is charged to Profit and Loss Account for the year.

2.12. **Provisions and Contingencies**

a) Movement in provision for frauds included under other liabilities:

(₹ in Crore)

	31 March 2015	**31 March 2014**
Opening balance at the beginning of the year	5.32	5.10
Additions during the year	2.30	0.22
Reductions on account of payments during the year	-	-
Reductions on account of reversals during the year	0.98	*
Balance at the end of the year	**6.64**	**5.32**

Asterisk denotes figure below ₹1,00,000/-

b) Movement in provision for debit card reward points:

(₹ in Crore)

	31 March 2015	**31 March 2014**
Opening provision at the beginning of the year	1.00	3.53
Provision made during the year	2.76	-
Reductions during the year	1.51	2.53

Closing provision at the end of the year	**2.25**	**1.00**

c) Movement in provision for other contingencies:

(₹ in Crore)

	31 March 2015	31 March 2014
Opening provision at the beginning of the year	142.05	32.82
Provision made during the year	17.47	110.69
Reductions during the year	13.98	1.46
Closing provision at the end of the year	**145.54**	**142.05**

d) Movement in floating provisions:

(₹ in Crore)

Particulars	Standard Assets Provisions		NPA Provision	
	2014-15	2013-14	2014-15	2013-14
Opening balance	25.50	38.00	179.52	179.52
Provision made during the year	-	-	-	-
Draw down from provision*	12.75	12.50	41.34	-
Closing balance	12.75	25.50	138.18	179.52

* Floating provision has been utilised in accordance with RBI guideline dated February 7, 2014 and March 30, 2015.

2.13 **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 enters into foreign exchange contracts, (currency swaps, Forward exchange contracts and currency futures) on its own account and forward exchange contracts for customers. Forward exchange contracts are commitments to buy or sell foreign currency at a future date at the contracted rate. Currency swaps are commitments to exchange cash flows by way of interest/principal in two currencies, based on ruling spot rates. Interest rate swaps are commitments to exchange fixed and floating interest rate cash flows. Currency Futures contract is a standardized, exchange-traded contract, to buy or sell a certain underlying currency at a certain date in the future, at a specified price.

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 Fund (DEAF)

Refer schedule 12 for amounts relating to contingent liability.

2.14 **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.

2.15 **Small and Micro Industries**

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

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

For and on behalf of the Board of Directors

Krishnakumar K Deputy General Manager	Girish Kumar Ganapathy Company Secretary	Abraham Chacko Executive Director	Shyam Srinivasan Managing Director & CEO
D. Sampath General Manager& CFO		Prof. Abraham Koshy Chairman	

Directors:

Nilesh S Vikamsey

K M Chandrasekhar

Sudhir M Joshi

Dilip G Sadarangani

Harish H Engineer

Grace Elizabeth Koshie

Mrs. Shubhalakshmi Panse

Place: Kochi

Date: 29th April, 2015

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE FEDERAL BANK LIMITED

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of **THE FEDERAL BANK LIMITED** ("the Bank"), its subsidiary (the Bank and its subsidiary together referred to as "the Group") and its associate comprising of the Consolidated Balance Sheet at 31 March, 2015, the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated financial statements").

Management's and Board of Directors Responsibility for the Consolidated Financial Statements

The Bank's Management and Board of Directors are responsible for the preparation of these consolidated financial statements in terms of the requirements of the Companies Act, 2013 (hereinafter referred to as "the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group including its Associate in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. The respective Board of Directors of the companies included in the Group and of its associate are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the 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 financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Management and Directors of the Bank, as aforesaid.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. While conducting the audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Bank's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on whether the Bank has an adequate internal financial controls system over financial reporting in place and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Bank's Management and Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their reports referred to in sub-paragraph 1 and 2 of the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group and its associate as at 31 March, 2015, and their consolidated profit and their consolidated cash flows for the year ended on that date.

Emphasis of Matter

We draw attention to Note No.1.10 of Schedule 18 to the Consolidated Financial Statements which describes proportionate charge of pension liability of the Bank amounting to ₹ 33.68 Crore to the Consolidated Profit and Loss Account and the balance unamortised pension liability of ₹ Nil (₹.33.68 Crore as at 31st March, 2014), included in Schedule 11 to the Consolidated Financial Statements, pursuant to the exemption from the application of the provisions of the Accounting Standard (AS) 15, Employee Benefits, granted by the Reserve Bank of India and made applicable to the Bank vide letter no. DBOD No.BP.BC.15896 / 21.04.018/2010-11 dated 8th April, 2011.

Our report is not modified in respect of this matter.

Other Matters

1. We did not audit the financial statements of a subsidiary whose financial statements reflect total assets of ₹ 471.64 Crore as at 31 March, 2015, total revenues of ₹ 79.23 Crore and net cash inflows of ₹ 70.94 Crore for the year then ended included in the consolidated financial statements. These financial statements have been audited by other auditors, whose reports have been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of this subsidiary and our report in terms of sub-sections (3) of Section 143 of the Act, insofar as it relates to the aforesaid subsidiary, is based solely on the report of the other auditors.

2. The consolidated financial statements also include ₹ 45.72 Crore for the year ended 31 March, 2015, being the Group's proportionate share in the profit of an associate which has been recognised on the basis of the unaudited financial information available with the Bank. These financial statements are unaudited and have been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of this associate, and our report in terms of sub-sections (3) of Section 143 of the Act in so far as it relates to the aforesaid associate, is based solely on such unaudited financial statements. In our opinion and according to the information and explanations given to us by the Management, these financial statements are not material to the Group.

3. The matters specified in sub-section (11) of Section 143 of the Act are not applicable to the Bank and therefore have not been reported on.

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

Report on Other Legal and Regulatory Requirements

As required by Section 143(3) of the Act, we report, to the extent applicable, that:

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

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

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

(d) In our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.

(e) On the basis of the written representations received from the directors of the Bank as on 31st March, 2015 taken on record by the Board of Directors of the Bank and the report of the statutory auditors of its subsidiary company and associate company incorporated in India, none of the directors of the Group company and its associate company incorporated in India is disqualified as on 31 March, 2015 from being appointed as a director in terms of Section 164 (2) of the Act.

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

   i. The consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group and its associate – Refer Note 1.12 of Schedule 18 to the consolidated financial statements.

ii. Provision has been made in the consolidated financial statements, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts – Refer (a) Note 1.13 of Schedule 18 to the consolidated financial statements in respect of such items as it relates to the Group and its associate and (b) the Group's share of net profit in respect of its associate.

iii. There has been no delay in transferring amounts, where required to be transferred, to the Investor Education and Protection Fund by the Bank and its subsidiary company and associate company incorporated in India.

For **Deloitte Haskins & Sells**
Chartered Accountants
(Firm's Registration No.008072S)

M. Ramachandran
Partner
(Membership No.16399)

For **M P Chitale & Co.**
Chartered Accountants
(Firm's Registration No.101851W)

Ashutosh Pednekar
Partner
(Membership No.41037)

KOCHI, 29th April, 2015.

THE FEDERAL BANK LIMITED
CONSOLIDATED BALANCE SHEET AS AT 31st MARCH 2015

(` in Thousands)

	Sch No.	As at 31 March 2015	As at 31 March 2014
CAPITAL AND LIABILITIES			
Capital	1	1,713,306	1,710,619
Reserves and Surplus	2	75,289,423	66,896,459
Deposits	3	708,226,878	597,290,389
Borrowings	4	23,929,799	57,675,362
Other Liabilities and Provisions	5	19,923,524	22,875,541
Total		**829,082,930**	**746,448,370**
ASSETS			
Cash and Balances with Reserve Bank of India	6	33,819,840	31,083,713
Balances with banks and money at call and short notice	7	14,024,601	14,258,072
Investments	8	241,898,134	238,385,889
Advances	9	515,291,872	437,038,107
Fixed assets	10	4,726,842	4,364,594
Other assets	11	19,321,641	21,317,995
Total		**829,082,930**	**746,448,370**
Contingent liabilities	12	172,151,460	234,819,883
Bills for collection		12,216,604	12,095,403
Significant Accounting Policies	17		
Notes on Accounts	18		
Schedules referred to above form an integral part of the Consolidated Balance Sheet			

For and on behalf of the Board of Directors

Krishnakumar K
Deputy General Manager

Girish Kumar Ganapathy
Company Secretary

Abraham Chacko
Executive Director

Shyam Srinivasan
Managing Director & CEO

D. Sampath
General Manager & CFO

Prof. Abraham Koshy
Chairman

In terms of our report attached

For **Deloitte Haskins & Sells**
Chartered Accountants

For **M P Chitale & Co.**
Chartered Accountants

M Ramachandran
Partner

Ashutosh Pednekar
Partner

Directors:

Nilesh S Vikamsey

Sudhir M Joshi

K M Chandrasekhar

Dilip G Sadarangani

Harish H Engineer

Grace Elizabeth Koshie

Shubhalakshmi Panse

Place: Kochi
Date : 29th April, 2015

THE FEDERAL BANK LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2015

(` in Thousands)

	Sch No.	Year ended 31 March 2015	Year ended 31 March 2014
I. INCOME			
Interest earned	13	74,877,736	70,056,953
Other income	14	8,785,414	6,851,820
Total		**83,663,150**	**76,908,773**
II. EXPENDITURE			
Interest expended	15	50,563,295	47,277,591
Operating expenses	16	16,752,095	14,935,015
Provisions and contingencies		6,226,839	6,407,004
Total		**73,542,229**	**68,619,610**
III. NET PROFIT FOR THE YEAR		**10,120,921**	**8,289,163**
Share in Profit of Associate		457,222	208,330
IV. CONSOLIDATED NET PROFIT ATTRIBUTABLE TO GROUP		**10,578,143**	**8,497,493**
Balance in Profit and Loss Account brought forward from previous year		6,936,660	4,118,335
V. AMOUNT AVAILABLE FOR APPROPRIATION		**17,514,803**	**12,615,828**
VI. APPROPRIATIONS			
Transfer to Revenue Reserve		1,098,710	1,030,700
Transfer to Statutory Reserve		2,516,648	2,097,300
Transfer to Capital Reserve		287,560	179,520
Transfer to Investment Reserve Account		462,770	-
Transfer to Special Reserve		350,000	382,300
Transfer to Reserve under Sec 45 IC of RBI Act		12,683	-
Dividend (including tax/cess thereon) pertaining to previous year paid during the year		207	-
Proposed dividend		1,884,643	1,710,624
Tax on proposed dividend		383,700	278,724
Depreciation on Expired assets (Note 1.7 of Schedule 18)		23,193	-
Balance carried over to Consolidated Balance Sheet		10,494,689	6,936,660
Total		**17,514,803**	**12,615,828**
Earnings per Share (Basic and Diluted) (₹) (Face value of ₹ 2/- each) (Note 1.2 of Schedule 18)		12.36	9.93
Significant Accounting policies	17		
Notes on Accounts	18		
Schedules referred to above form an integral part of the Consolidated Profit and Loss account			

For and on behalf of the Board of Directors

Krishnakumar K
Deputy General Manager

Girish Kumar Ganapathy
Company Secretary

Abraham Chacko
Executive Director

Shyam Srinivasan
Managing Director & CEO

D. Sampath
General Manager & CFO

Prof. Abraham Koshy
Chairman

In terms of our report attached

For **Deloitte Haskins & Sells**
Chartered Accountants

For **M P Chitale & Co.**
Chartered Accountants

M Ramachandran
Partner

Ashutosh Pednekar
Partner

Directors:

Nilesh S Vikamsey

Sudhir M Joshi

K M Chandrasekhar

Dilip G Sadarangani

Harish H Engineer

Grace Elizabeth Koshie

Shubhalakshmi Panse

Place: Kochi
Date : 29th April, 2015

THE FEDERAL BANK LIMITED

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH, 2015

(` in Thousands)

	Year ended 31 March 2015	**Year ended 31 March 2014**
Cash Flow from Operating Activities		
Net Profit before taxes	15,752,948	12,225,751
Adjustments for:		
Depreciation on Bank's Property	794,886	978,649
Depreciation on Investments	(934,725)	1,115,918
Amortisation of Premium on Held to Maturity Investments	321,114	296,864
Provision for Non Performing Investments	128,600	-
Provision for Non Performing Assets (Including Bad Debts)	2,039,410	2,279,101
Provision on Standard Assets	543,420	124,809
Withdrawal from floating provision for standard asset	(127,500)	-
(Profit)/ Loss on sale of fixed assets (net)	3,527	(11,873)
(Income) / Loss From Joint Venture	(457,222)	(208,330)
Provision for Restructutred assets	(552,300)	(844,306)
Provision for Other Contingencies	(44,870)	3,223
	17,467,288	**15,959,806**
Adjustments for working capital changes:-		
(Increase)/ Decrease in Investments	9,876,302	(24,859,250)
(Increase)/ Decrease in Advances	(80,293,175)	3,957,039
(Increase)/ Decrease in Other Assets	435,279	(659,371)
Increase/ (Decrease) in Deposits	110,936,489	21,178,681
Increase/ (Decrease) in Other liabilities and provisions	(776,296)	2,805,818
Direct taxes paid	(6,063,199)	(6,416,624)
Net Cash Generated from Operating Activities	**51,582,688**	**11,966,099**
Cash Flow from Investing Activities		
Purchase of Fixed Assets	(1,211,406)	(1,225,748)
Proceeds from Sale of Fixed Assets	14,941	37,155
(Increase)/ Decrease in Held to Maturity Investments	(12,446,314)	(6,186,152)
Net Cash Used in Investing Activities	**(13,642,779)**	**(7,374,745)**
Cash Flow from Financing Activities		
Proceeds from Issue of Share Capital	2,687	32
Proceeds from Share Premium	107,001	1,324
Repayment of Subordibate Debt	(300,000)	-
Increase/(Decrease) in Borrowings (Excluding Subordinate Debt)	(33,445,563)	5,284,909
Dividend Paid (Including Tax on Dividend)	(1,801,378)	(1,801,171)
Net Cash generated from financing Activities	**(35,437,253)**	**3,485,094**
Increase/(Decrease) in Cash & Cash Equivalents	2,502,656	8,076,448

(` in Thousands)

	Year ended 31 March 2015	Year ended 31 March 2014
Cash and Cash Equivalents at the beginning of year	45,341,785	37,265,337
Cash and Cash Equivalents at the end of year	47,844,441	45,341,785

Note:
Cash and cash equivalents comprise of cash on hand (including foreign currency notes), Balances with Reserve Bank of India, Balance with Banks and Money at Call and Short notice (Refer schedules 6 and 7 of the Consolidated Balance sheet)

For and on behalf of the Board of Directors

Krishnakumar K
Deputy General Manager

Girish Kumar Ganapathy
Company Secretary

Abraham Chacko
Executive Director

Shyam Srinivasan
Managing Director & CEO

D. Sampath
General Manager & CFO

Prof. Abraham Koshy
Chairman

In terms of our report attached

For **Deloitte Haskins & Sells**
Chartered Accountants

M Ramachandran
Partner

For **M P Chitale & Co.**
Chartered Accountants

Ashutosh Pednekar
Partner

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Nilesh S Vikamsey

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K M Chandrasekhar

Dilip G Sadarangani

Harish H Engineer

Grace Elizabeth Koshie

Shubhalakshmi Panse

Place: Kochi
Date : 29th April, 2015

THE FEDERAL BANK LIMITED

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

(` in Thousands)

	As at 31 March 2015	As at 31 March 2014
SCHEDULE 1 - CAPITAL		
Authorised Capital 250,00,00,000 equity shares of ₹ 2/- each (Previous year 250,00,00,000 equity shares of ₹ 2/- each)	5,000,000	5,000,000
Issued Capital 85,80,04,242 equity shares of ₹ 2/-each (Previous year 85,66,63,830 shares of ₹ 2/- each)	1,716,008	1,713,327
Subscribed, Called up and Paid up Capital 85,66,55,197 (Previous year 85,53,11,785) Equity Shares of ₹ 2/-each	1,713,310	1,710,623
Less: Calls in arrears	4	4
Total	**1,713,306**	**1,710,619**
Refer Note 1.3 of Schedule 18		

THE FEDERAL BANK LIMITED

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

(` in Thousands)

	As at 31 March 2015	As at 31 March 2014
SCHEDULE 2 - RESERVES AND SURPLUS		
I. Statutory Reserve		
Opening balance	14,887,476	12,790,176
Additions during the year	2,516,648	2,097,300
	17,404,124	**14,887,476**
II. Capital Reserves		
(a) Revaluation Reserve		
Opening balance	50,091	52,065
Deductions during the year	-	1,974
	50,091	**50,091**
(b) Others		
Opening balance	2,065,213	1,885,693
Additions during the year*	287,560	179,520
	2,352,773	**2,065,213**
	2,402,864	**2,115,304**
III. Share premium		
Opening balance	24,761,957	24,760,633
Additions during the year#	107,001	1,324
	24,868,958	**24,761,957**
IV. Revenue and Other Reserves		
a) Revenue Reserve		
Opening Balance	13,418,841	12,927,741
Additions during the year	1,098,710	1,030,700
Deductions during the year$	-	539,600
	14,517,551	**13,418,841**
b) Other Reserves		
Investment Fluctuation Reserve		
Opening Balance	1,897,200	1,897,200
Additions during the year	-	-
	1,897,200	**1,897,200**
c) Special Reserve (As per section 36(1)(viii) of Income Tax Act)		
Opening balance	2,539,900	2,157,600
Addition during the year	350,000	382,300
	2,889,900	**2,539,900**
V. Investment Reserve Account		
Opening balance	-	-
Addition during the year@	462,770	-
	462,770	**-**
VI. Contingency Reserve		
Opening balance	301,003	301,003
Addition during the year	-	-
	301,003	**301,003**
VII. Reserve Fund		
Balance as per last Balance Sheet	36,648	36,648
Transferred from Consolidated Profit and Loss Account	12,683	-
	49,331	**36,648**
VIII. General Reserve		
Balance as per last Balance Sheet	1,470	1,470
Less: Additional depreciation as per schedule II of companies Act, 2013	(437)	-
	1,033	**1,470**
IX. Balance in Consolidated Profit and Loss Account	**10,494,689**	**6,936,660**
Total	**75,289,423**	**66,896,459**

* - 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 ₹ 286,163 Thousands (Previous year ₹ 179,520 Thousands)
b) Profit on sale of Land ₹ 1,397 Thousands (Previous year ₹ NIL)
\# - Represents amount received on exercise of Employee stock options
$ - Deductions being deferred tax liability of earlier years in respect of special reserve created under section 36 (1) (viii) of the Income tax Act, 1961 - Refer Note 1.8 B of Schedule 18
@ - The bank had transferred ₹ 462,770 Thousands (previous year ₹ Nil) (Net of applicable taxes and transfer to statutory reserve) towards Investment Reserve Account on provision for depreciation on Investments credited to Consolidated Profit and Loss account.

THE FEDERAL BANK LIMITED

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

(` in Thousands)

	As at 31 March 2015	As at 31 March 2014
SCHEDULE 3 - DEPOSITS		
A. I. Demand Deposits		
i. From Banks	787,120	1,226,606
ii. From Others	39,778,774	32,569,220
	40,565,894	**33,795,826**
II. Savings Bank Deposits	177,269,068	152,842,589
III. Term Deposits		
i. From Banks	24,384,519	6,974,415
ii. From Others	466,007,397	403,677,559
	490,391,916	**410,651,974**
Total	708,226,878	597,290,389
B. I. Deposits of branches in India	**708,226,878**	**597,290,389**
II. Deposits of branches outside India	-	-
Total	**708,226,878**	**597,290,389**
SCHEDULE 4 - BORROWINGS		
I.Borrowings in India		
i. Reserve Bank of India	-	4,450,000
ii. Other Banks #	1,169,388	1,117,778
iii. Other institutions and agencies ##	19,638,127	41,011,343
	20,807,515	**46,579,121**
II.Borrowings outside India	3,122,284	11,096,241
Total	**23,929,799**	**57,675,362**
Secured borrowings included in I and II above	3,528,557	16,160,574
# Borrowings from other banks include Subordinated Debt of ₹ 3,22,000 Thousands (Previous Year ₹ 322,000 Thousands) in the nature of Non Convertible Debentures (included in Tier II capital).		
## Borrowings from other Institutions and agencies include Subordinated Debt of ₹ 1,678,000 Thousands (Previous Year ₹1,978,000 Thousands) in the nature of Non Convertible Debentures (included in Tier II capital).		
SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS		
I. Bills Payable	189,506	228,420
II. Inter - office adjustments (Net)	2,227,182	1,928,272
III. Interest accrued	2,170,039	1,726,253
IV. Others (including provisions)*	15,336,797	18,992,596
Total	**19,923,524**	**22,875,541**
*Includes :-		
(a) Contingent provision against standard assets	2,880,195	2,464,276
(b) Proposed Dividend	1,884,643	1,710,624
(c) Tax on Proposed Dividend	383,700	278,724
(d) Deferred Tax Liability (Net)	394,957	2,856,600

THE FEDERAL BANK LIMITED

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

(` in Thousands)

	As at 31 March 2015	As at 31 March 2014
SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA		
I. Cash in hand (including foreign currency notes)	6,580,098	6,083,150
II. Balance with Reserve Bank of India		
i. in Current Accounts	27,239,742	25,000,563
ii. in Other Accounts	-	-
Total	**33,819,840**	**31,083,713**
SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE		
I. In India		
i. Balances with banks		
a. in Current Accounts	1,942,632	1,556,035
b. in Other Deposit Accounts	3,112,480	4,183,956
ii. Money at call and short notice		
a. With Banks	2,000,000	-
b. With other institutions	-	-
Total	**7,055,112**	**5,739,991**
II. Outside India		
i. in Current Accounts	719,489	129,981
ii. in Other Deposit Accounts	6,250,000	8,388,100
iii. Money at call and short notice	-	-
Total	**6,969,489**	**8,518,081**
Grand Total (I and II)	**14,024,601**	**14,258,072**

THE FEDERAL BANK LIMITED

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

(` in Thousands)

	As at 31 March 2015	As at 31 March 2014
SCHEDULE 8 - INVESTMENTS		
I. Investments in India in :		
i. Government Securities ## **	168,760,964	158,230,694
ii. Other approved Securities	-	-
iii. Shares	1,579,257	1,757,652
iv. Debentures and Bonds	8,107,056	11,360,514
v. Joint Venture $	1,644,583	1,187,361
vi. Others [Certificate of Deposits (CDs), Priority Sector Deposits, Pass Through Certificates (PTCs) etc.] @	61,806,274	65,849,668
Total	**241,898,134**	**238,385,889**
II. Investments outside India	-	-
Grand Total (I and II)	**241,898,134**	**238,385,889**
Gross Investments	242,198,210	239,492,111
Less: Depreciation/ Provision for Investments	300,076	1,106,222
Net Investments	**241,898,134**	**238,385,889**

Securities costing ₹ 53,495,978 Thousands (Previous Year ₹ 57,241,552 Thousands) pledged for availment of fund transfer facility, clearing facility and margin requirements

** Net of Repo borrowing of ₹ 24,336,000 Thousands (Previous year ₹ 27,768,000 Thousands) under the Liquidity Adjustment Facility in line with the RBI requirements

$ represents investment accounted as an associate in line with AS -23 , Accounting of Investments in Associates in Consolidated Financial Statements , as Specified under Section 133 of the Companies Act, 2013 [Refer Schedule 17, Note 2.2 (iv)]

@ Includes priority sector shortfall deposits ₹ 38,403,772 Thousands (Previous year ₹ 35,053,818 Thousands) and PTCs of ₹ 928,780 Thousands (Previous Year ₹ 1,057,166 Thousands) net of depreciation, if any.

THE FEDERAL BANK LIMITED

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

(` in Thousands)

	As at 31 March 2015	As at 31 March 2014
SCHEDULE 9 - ADVANCES (NET OF PROVISIONS)		
A. i. Bills purchased and discounted	13,260,651	13,028,687
ii. Cash credits, overdrafts and loans repayable on demand	284,922,814	231,387,667
iii. Term loans	217,108,407	192,621,753
Total	**515,291,872**	**437,038,107**
B. i. Secured by tangible assets $	446,800,653	377,354,853
ii. Covered by Bank/Government guarantees #	25,821,130	20,433,617
iii. Unsecured	42,670,089	39,249,637
Total	**515,291,872**	**437,038,107**
C. I. Advances in India		
i. Priority Sector	173,402,580	155,132,546
ii. Public Sector	35,182,365	7,718,318
iii. Banks	7,540	46,614
iv. Others	306,699,387	274,140,629
Total	**515,291,872**	**437,038,107**
II.Advances outside India	-	-
Grand Total (C I and C II)	**515,291,872**	**437,038,107**
$ Includes Advances against book debts # Includes advances against L/Cs issued by banks		

THE FEDERAL BANK LIMITED

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

(` in Thousands)

	As at 31 March 2015	As at 31 March 2014
SCHEDULE 10 - FIXED ASSETS		
I OWNED ASSETS		
a.Premises #		
Gross Block		
At the beginning of the year	2,263,552	2,231,549
Additions during the year	35,292	32,003
Deductions during the year	1,191	-
Closing Balance	**2,297,653**	**2,263,552**
Depreciation		
As at the beginning of the year	684,730	628,015
Charge for the year	56,434	56,715
Deductions during the year	-	-
Depreciation to date	**741,164**	**684,730**
Net Block	**1,556,489**	**1,578,822**
b.Other fixed assets		
(including furniture and fixtures)		
Gross Block		
At the beginning of the year	7,130,674	6,262,179
Additions during the year	1,136,506	991,496
Deductions during the year	104,503	123,001
Closing Balance	**8,162,677**	**7,130,674**
Depreciation and Impairment Loss		
As at the beginning of the year	4,571,106	3,748,751
Charge for the year * $	774,692	929,984
Deductions during the year	87,661	107,629
Depreciation to date	**5,258,137**	**4,571,106**
Net Block	**2,904,540**	**2,559,568**
II ASSETS GIVEN ON LEASE		
Gross Block		
At the beginning of the year	-	31,013
Additions during the year	-	-
Deductions during the year	-	31,013
Closing Balance	-	-
Depreciation		
As at the beginning of the year	-	27,179
Charge for the year	-	-
Deductions during the year	-	27,179
Depreciation to date	-	-
Net Block	**-**	**-**
III. Capital Work in progress (Including Capital Advances)	265,813	226,204
Total (I, II & III)	**4,726,842**	**4,364,594**

 # Includes buildings constructed on leasehold land at different places having original cost of ₹ 655,643 Thousands (Previous Year ₹ 655,216 Thousands) and Written down value of ₹ 520,026 Thousands (Previous Year ₹ 534,357 Thousands) with remaining lease period varying from 61 - 73 years

** - Net of reversal of excess depreciation pursuant to change in depreciaion method [Refer Note 1.7 of Schedule 18]*

$ includes impairment loss of subsidiary company amounting to ₹ 436 Thousands (Previous Year ₹ 6,809 Thousands)

THE FEDERAL BANK LIMITED

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

(` in Thousands)

	As at 31 March 2015	As at 31 March 2014
SCHEDULE 11 - OTHER ASSETS		
I. Inter - office adjustments (net)	-	-
II. Interest accrued	5,611,403	5,069,281
III. Tax paid in advance/tax deducted at source (Net of provision)	9,337,890	10,904,352
IV. Stationery and Stamps	34,239	35,017
V. Non-banking assets acquired in satisfaction of claims@	5,953	4,439
VI. Others*	4,332,156	5,304,906
Total	**19,321,641**	**21,317,995**
* Includes Deferred Tax Asset (Net)	20,016	14,629
@ - Includes certain Non-Banking assets acquired in satisfaction of claims which are in the process of being transferred in the Bank's name		
SCHEDULE 12 - CONTINGENT LIABILITIES		
I. Claims against the Bank not acknowledged as debts	3,240,713	3,273,140
II. Liability on account of outstanding forward exchange contracts	126,308,293	182,064,511
III. Guarantees given on behalf of constituents - in India	32,601,130	37,327,370
IV. Acceptances, endorsements and other obligations	9,004,087	12,154,862
V. Other items for which the Bank is contingently liable@	997,237	-
Total	**172,151,460**	**234,819,883**
(Refer Note 1.12 of Schedule 18) @ - includes ₹ 667,960 Thousands (Previous Year ₹ Nil) being amount transferred to DEAF Cell, RBI and outstanding, as per RBI circular DBOD.No.DEAF Cell.BC.114/30.01.002/2013-14.		

THE FEDERAL BANK LIMITED

SCHEDULES FORMING PART OF CONSOLIDATED THE PROFIT AND LOSS ACCOUNT

(` in Thousands)

	Year ended 31 March 2015	Year ended 31 March 2014
SCHEDULE 13 - INTEREST EARNED		
I. Interest/discount on advances/bills	55,101,064	50,706,983
II. Income on investments	18,409,574	17,768,285
III.Interest on balances with Reserve Bank of India and other inter-bank funds	623,602	523,541
IV. Others*	743,496	1,058,144
Total	**74,877,736**	**70,056,953**
* - Includes interest on Income tax refunds amounting to ₹ 704,797 Thousands (Previous year ₹ 1,011,667 Thousands) accounted based on Assessment orders received.		
SCHEDULE 14 - OTHER INCOME		
I. Commission, exchange and brokerage	3,811,505	3,340,479
II. Profit on sale of investments (Net)	2,556,674	1,562,329
III. Profit on revaluation of investments (Net)	-	-
IV. Profit on Sale of land, buildings and other assets (Net)	(3,527)	11,873
V. Profit on foreign exchange transactions (Net)	1,162,068	1,250,940
VI. Income earned by way of dividends etc. from companies in India	71,756	76,578
VII.Miscellaneous income [Includes Recoveries in assets written off ₹ 1,067,534 Thousands (Previous year ₹ 415,324 Thousands)]	1,186,938	609,621
Total	**8,785,414**	**6,851,820**

THE FEDERAL BANK LIMITED

SCHEDULES FORMING PART OF CONSOLIDATED THE PROFIT AND LOSS ACCOUNT

(` in Thousands)

	Year ended 31 March 2015	Year ended 31 March 2014
SCHEDULE 15 - INTEREST EXPENDED		
I. Interest on deposits	46,273,002	42,092,558
II. Interest on Reserve Bank of India/Inter bank borrowings	587,683	1,121,393
III.Others	3,702,610	4,063,640
Total	**50,563,295**	**47,277,591**
SCHEDULE 16 - OPERATING EXPENSES		
I. Payments to and provisions for employees	9,130,516	7,954,259
II. Rent, taxes and lighting	1,894,513	1,659,655
III. Printing and stationery	172,858	158,814
IV. Advertisement and publicity	393,473	210,326
V.Depreciation on Bank`s property (Refer Note 1.7 of Schedule 18)	794,886	980,623
Less: Depreciation on revaluation of Premises transferred from Revaluation Reserve	-	1,974
	794,886	978,649
VI. Directors' fees, allowances and expenses	22,062	11,476
VII. Auditors' fees and expenses (including branch auditors fees and expenses)	69,983	58,301
VIII.Law charges	84,158	57,372
IX. Postage, Telegrams, Telephones etc	471,463	458,576
X. Repairs and maintenance	481,657	427,256
XI. Insurance	625,367	584,133
XII. Other expenditure*	2,611,159	2,376,198
Total	**16,752,095**	**14,935,015**
* - Includes expenditure on Corporate Social Responsibility ₹73,031 Thousands		

THE FEDERAL BANK LIMITED

SCHEDULE 17 : SIGNIFICANT ACCOUNTING POLICIES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2015

1. Corporate information

The Federal Bank Limited ('FBL' or the 'Bank') together with its subsidiary (collectively, the 'Group') is a diversified financial services group providing a wide range of banking and financial services including commercial banking, retail banking, project and corporate finance, working capital finance, insurance and treasury products and services. Operations of the Group are spread all over India.

The Bank was incorporated in 1931 as Travancore Federal Bank Limited to cater to the banking needs of Travancore Province. It embarked on a phase of sustained growth under the leadership of Late K.P. Hormis. The bank is governed by Banking Regulation Act, 1949 and other applicable acts/ regulations.

2. Basis of Consolidation and significant accounting policies

2.1. Basis of accounting and preparation of consolidated financial statements

The consolidated financial statements of the Bank and its subsidiary (together the 'Group') have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards Specified under Section 133 of the Companies Act, 2013 read with Rule 7 of Companies (Accounts) Rules, 2014 and the relevant provisions of the Companies Act, 2013 ("the 2013 Act")/ Companies Act, 1956 ("1956 Act") as applicable and current practices prevailing within the Banking Industry in India. The consolidated financial statements have been prepared on accrual basis under historical cost convention. The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the previous year except for change in the accounting policy for depreciation as more fully described in Note 1.7 (b) of Schedule 18.

2.2. Principles of consolidation

(i) The consolidated financial statements relate to the Federal Bank Limited ('FBL' or the 'Bank') its subsidiary company and the Group's share of profit in its associate. The details of subsidiary and associate entities are given below:

Name of the entity	Relationship	Country of Incorporation	Ownership held by	% of Holding and voting power either directly or indirectly through subsidiary as at	
				31 March, 2015	**31 March, 2014**
Fedbank Financial Services Limited (FFSL or Subsidiary)	Subsidiary Company	India	The Federal Bank Limited	100	100
IDBI Federal Life Insurance Company Limited (Associate)	Associate	India	The Federal Bank Limited	26	26
			IDBI Bank Limited	48	48
			Ageas Insurance International N.V	26	26

(ii) The audited financial statements of the subsidiary company and the unaudited financial statements of the associate have been drawn up to the same reporting date as that of the Bank, i.e. 31 March, 2015.

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

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

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

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

2.3. **Use of estimates**

The preparation of the consolidated financial statements in conformity with Indian GAAP requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) and the reported income and expenses during the year. The Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ due to these estimates and the differences between the actual results and the estimates are recognised in the periods in which the results are known / materialise.

2.4 *Advances*

Advances are classified into performing assets (Standard) and non-performing assets ('NPAs') as per the RBI guidelines and are stated net of specific provisions made towards NPAs, floating provisions and unrealized interest on NPAs. Interest on Non performing advance is transferred to unrealized interest account and not recognized in Profit and Loss Account until received. Further, NPAs are classified into sub-standard, doubtful and loss assets based on the criteria stipulated by the RBI. Provisions for NPAs are made over and above the minimum required as per the guidelines of the RBI on matters relating to prudential norms.

Advances shown in the Balance Sheet are net of (a) bills rediscounted and (b) provisions made for non performing advances

Loss assets and unsecured portion of doubtful assets are provided / written off as per the RBI guidelines.
Amounts recovered against debts written off are recognised in the profit and loss account and included under "Other Income".

For restructured/rescheduled assets, provision is made in accordance with the guidelines issued by the RBI, which requires the diminution in the fair value of the assets to be provided at the time of restructuring.

A general provision for standard advances is made @ 0.25% in case of direct advances to agricultural and SME sectors, 1% in respect of advances classified as commercial real estate, 3.50 % to 5% in respect of certain class of restructured assets and 0.40% for all other advances as prescribed by the RBI.

2.5 *Country risk*

In addition to the provisions required to be held according to the asset classification status, provisions are held for individual country exposure (other than for home country). The countries are categorised into seven risk categories namely insignificant, low, moderate, high, very high, restricted and off-credit as per Export Credit Guarantee Corporation of India Limited ("ECGC") guidelines and provision is made on exposures exceeding 180 days on a graded scale ranging from 0.25% to 100%. For exposures with contractual maturity of less than 180 days, 25% of the normal provision requirement is held. If the country exposure (net) of the Bank in respect of each country does not exceed 1% of the total funded assets, no provision is maintained on such country exposure.

2.6 *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)

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

Investments which the bank intends to hold till maturity are classified as "Held to Maturity".

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

However for the purpose of disclosure in Balance Sheet, investments in India are classified under six categories, viz. Government Securities, Other Approved Securities, Shares, Debentures and Bonds, Investments in Subsidiaries / Joint Ventures and others.

Transfer of securities between Categories

Transfer of securities between categories is done at the lower of the acquisition cost / book value / market value on the date of the transfer and the depreciation, if any, on such transfer is fully provided for as per RBI guidelines.

Acquisition Cost

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:

a) Held for Trading/Available for Sale– Investments classified under the AFS and HFT categories are marked-to-market. The market/fair value of quoted investments included in the 'AFS' and 'HFT' categories is the Market Price of the Scrip as available from the traded/ quotes on the stock exchanges or prices declared by Primary Dealers Association of India ('PDAI') jointly with Fixed Income Money Market and Derivative Associations of India ('FIMMDA'), periodically. Net depreciation, if any, within each category of each investment classification is recognised in Profit and Loss Account. The net appreciation, if any, under each category of each Investment is ignored. The 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 of government securities are 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) Repurchase and reverse repurchase transactions – These are accounted as outright sale and outright purchase respectively. The difference between the clean price of the first leg and the clean price of the second leg is recognised as interest income / interest expense over the period of the transaction. However, depreciation in their value, if any, compared to their original cost, is provided for.

d) In respect of securities included in any of the three categories of investments where interest / principal is in arrears, for more than 90 days, income thereon is not reckoned and appropriate provision for the depreciation in the value of the investments is made, as per prudential norms applicable to non-performing investments. Debentures / Bonds in the nature of advances are subjected to usual prudential norms applicable to advances.

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

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

g) 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 Fixed Income Money Market and Derivatives Association of India (FIMMDA) / Primary Dealers Association of India (PDAI) and suitably marked up for credit risk applicable to the credit rating of the instrument. The matrix for credit risk mark-up for each categories and credit ratings along with residual maturity issued by FIMMDA is adopted for this purpose;
- in case of bonds and debentures (including Pass Through Certificates or PTCs) where interest is not received regularly (i.e. overdue beyond 90 days), the valuation is in accordance with prudential norms for provisioning as prescribed by RBI;

- equity shares, for which current quotations are not available or where the shares are not quoted on the stock exchanges, are valued at break-up value (without considering revaluation reserves, if any) which is ascertained from the company's latest Balance Sheet. In case the latest Balance Sheet is not available, the shares are valued at ₹ 1 per company;
- Units of Venture Capital Funds (VCF) held under AFS category where current quotations are not available are marked to market based on the Net Asset Value (NAV) shown by VCF as per the latest audited financials of the fund. In case the audited financials are not available for a period beyond 18 months, the investments are valued at ₹ 1 per VCF. Investment in unquoted VCF after 23rd August, 2006 are categorised under HTM category for the initial period of three years and valued at cost as per RBI guidelines;
- Investment in security receipts are valued as per the Net Asset Value (NAV) obtained from the issuing Reconstruction Company /Securitisation Company.

Investments in subsidiaries/associates are categorised as HTM and assessed for impairment to determine permanent diminution, if any, in accordance with the RBI guidelines.

All investments are accounted for on settlement dates except investments in equity shares which are accounted for on trade date as the corporate actions are effected in equity on the trade date.

Profit or Loss on Sale / Redemption 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 or loss on sale / redemption of investments is included in the Profit and Loss account. In case of profits, the same is appropriated to Capital Reserve after adjustments for tax and transfer to statutory reserve in accordance with RBI guidelines.

Repo and Reverse Repo Transactions

In respect of Repo transactions under Liquidity Adjustment Facility (LAF) with RBI, monies borrowed from RBI are credited to investment account and reversed on maturity of the transaction. Costs thereon are accounted for as interest expense. In respect of Reverse Repo transactions under LAF, monies paid to RBI are debited to investment account and reversed on maturity of the transaction. Revenues thereon are 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. Such short positions are categorized under HFT category. These positions are marked –to-market along with the other securities under HFT Portfolio and resultant mark-to-market gains/losses are accounted for as per the relevant RBI guidelines for valuation of Investments discussed earlier.

2.7 ***Foreign currency transactions***

Transactions denominated in foreign currencies are accounted for at the rates prevailing on the date of the transaction. Monetary foreign currency assets and liabilities are translated at the Balance Sheet date at rates notified by Foreign Exchange Dealers Association of India ('FEDAI'). All profits/losses resulting from year end revaluations are recognised in the Profit and Loss Account.

Outstanding foreign exchange contracts exluding currency swaps undertaken to hedge foreign currency assets/ liabilities, funding swaps and spot exchange contracts are revalued at quarter end exchange rates notified by FEDAI for specified maturities and at interpolated rates for contracts of interim maturities The resulting gains or losses on revaluation are included in the Profit and Loss Account in accordance with RBI/FEDAI guidelines. The forward exchange contracts of longer maturities where exchange rates are not notified by FEDAI are revalued at the forward exchange rates implied by the swap curves in respective currencies. The resultant gains or losses are recognised in the Profit and Loss Account.

Premium/discount on forward exchange contracts and currency swaps undertaken to hedge foreign currency assets and liabilities and funding swaps is recognised as interest income/ expense and is amortised on a pro-rata basis over the underlying swap period.

Contingent liabilities on account of foreign exchange contracts, guarantees, acceptances, endorsements and other obligations denominated in foreign currencies are disclosed at closing rates of exchange notified by FEDAI.

2.8 ***Derivative transactions***

Derivative transactions comprise of forward contracts and swaps which are disclosed as contingent liabilities. The Bank recognises all derivative contracts at the 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. In respect of derivative contracts that are marked to market, negative market value is recognised in the Profit and Loss Account in the relevant period. Contingent liabilities on account of derivative contracts denominated in foreign currencies are reported at closing rates of exchange notified by FEDAI at the Balance Sheet date.

Currency futures contracts are marked to market using daily settlement price on a trading day, which is the closing price of the respective futures contracts on that day. While the daily settlement price is computed based on the last half an hour weighted average price of such contract, the final settlement price is taken as the RBI reference rate on the last trading day of the futures contract or as may be specified by the relevant authority from time to time. All open positions are marked to market based on the settlement price and the resultant marked to market profit/loss is daily settled with the exchange.

2.9 ***Fixed assets and depreciation***

Fixed assets are carried at cost of acquisition less accumulated depreciation and impairment, if any. Cost includes cost of purchase and all expenditure like freight, duties, taxes and incidental expenses related to the acquisition and installation of the asset.

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

The Bank has adopted the revised useful life of assets as per Schedule II of the Companies Act, 2013. The method of charging depreciation of certain assets has been changed to straight line method from the previous written down value method.

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 5 years based on technical evaluation.

Depreciation on premises revalued has been charged on their written-down value including the addition made on revaluation.

Depreciation on assets sold during the year is recognised on a pro-rata basis till the date of sale.

Profit on sale of premises is appropriated to Capital Reserve account in accordance with RBI instructions.

2.10 **Impairment of Assets**

The carrying values of assets at each balance sheet date are reviewed for impairment, if any indication of impairment exists. If the carrying amount of the assets exceed the estimated recoverable amount, an impairment is recognised for such excess amount. The impairment loss is recognised as an expense in the Profit and Loss Account , unless the asset is carried at revalued amount, in which case any impairment loss of the revalued asset is treated as a revaluation decrease to the extent a revaluation reserve is available for that asset.

The recoverable amount is the greater of the net selling price and their value in use. Value in use is arrived at by discounting the future cash flows to their present value based on an appropriate discount factor.

When there is indication that an impairment loss recognised for an asset (other than a revalued asset) in earlier accounting periods no longer exists or may have decreased, such reversal of impairment loss is recognised in the Profit and Loss Account, to the extent the amount was previously charged to the Profit and Loss Account. In case of revalued assets such reversal is not recognised.

2.11 **Non-Banking Assets**

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

2.12 **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)

2.13 ***Revenue Recognition***

Interest income is recognised on an accrual basis except interest income on non-performing assets, which is recognised on receipt in accordance with AS-9, Revenue Recognition as specified in Section 133 of the Companies Act, 2013 and the RBI guidelines.

Processing fees collected on loans disbursed, along with related loan acquisition costs are recognised at inception 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 is accounted on an accrual basis when the right to receive the dividend is established.

Gain/Loss on sell down of loans is recognised in line with the extant RBI Guidelines.

Loan Syndication fee is accounted for on completion of the agreed service and when right to receive is established.

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

2.14 ***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

Finance Lease

Accounting Standard on Leases (AS19) issued by the Institute of Chartered Accountants of India (ICAI) is applicable to leases entered into on or after 1st April 2001. Since all the Bank's outstanding finance lease transactions were entered into prior to that date, the Bank has followed the earlier ICAI guidelines in respect of these leases.

2.15 ***Retirement and other employee benefits***

The Bank

a) Provident Fund

The contribution made by the bank to The Federal Bank Employees Provident Fund, administered by the trustees is charged to Profit and Loss account.

b) Pension Fund

The contribution towards The Federal Bank Employees' Pension Fund, managed by trustees, is determined on actuarial basis on projected unit credit method as on the Balance Sheet date and is recognised in the accounts. However, the liability arising on account of re-opening of pension option to existing employees who had joined prior to 29th September 1995 and not exercised the option earlier, is amortised over a period of five years commencing from the financial year 2010-11 as permitted by the Reserve Bank of India.

Employees who had joined the services of the Bank with effect from April 01, 2010 are covered under Defined Contributory Pension Scheme (DCPS). In respect of such employees the bank contributes 10% of the Basic Pay plus Dearness Allowance and the expenditure thereof is charged to the Profit and Loss account

c) Gratuity

The bank makes annual contribution to The Federal Bank Employees' Gratuity Trust Fund administered and managed by the Trustees. The cost of providing such benefits is determined using the Projected Unit Credit method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognised in the Profit and Loss Account in the period in which they occur. The retirement benefit obligation recognised in the Balance Sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the schemes.

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

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

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 Subsidiary

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

b) The net present value of the obligation for gratuity benefits , which is a defined benefit plan, as determined on independent actuarial valuation, conducted annually using projected unit credit method, as adjusted for unrecognized past services cost, if any, is recognised in the accounts. Actuarial gains and losses are recognised in full in the Profit and Loss Account for the period in which they occur.

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

2.16 ***Debit card reward points***

The Bank runs a loyalty program which seeks to recognise and reward customers based on their relationship with the Bank. Under the program, eligible customers are granted loyalty points redeemable in future, subject to certain conditions. The Bank estimates the probable redemption of such loyalty/reward points using an actuarial method at the Balance Sheet date by employing independent actuary. Provision for said reward points is then made based on the actuarial valuation report as furnished by the said independent Actuary.

2.17 ***Employee Stock Option Scheme***

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

2.18 ***Taxation***

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

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

Minimum Alternate Tax (MAT) paid in accordance with the tax laws, which gives future economic benefits in the form of adjustment to future income tax liability, is considered as an asset if there is convincing evidence that the entity will pay normal income tax. Accordingly, MAT is recognised as an asset in the Consolidated Balance Sheet when it is highly probable that future economic benefit associated with it will flow to the entity.

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

The Group Offsets Deferred Tax Assets and Deferred Tax Liabilities, and advance Income tax and provision for tax, if it has a legally enforceable right and these relate to taxes in income levies by the same governing taxation laws.

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

2.19 ***Earnings per Share***

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

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

2.20 ***Provisions, contingent liabilities and contingent assets***

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

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

- a present obligation arising from a past event which is not recognised as it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.

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

SCHEDULE 18 : NOTES ON ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2015

Amounts in Notes forming part of the Consolidated Financial Statements for the year ended 31 March, 2015 are denominated in Rupees Crore to conform to extant RBI guidelines

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

	For the year ended / As at	31 March 2015	31 March 2014
i)	Provision towards NPAs (net)	203.94	227.91
ii)	Provision for depreciation Investments (Net)	(93.47)	111.59
iii)	Provision for Non Performing Investments	12.86	-
iv)	Provision for Standard Assets	54.34	12.48
v)	Withdrawal from floating provision	(12.75)	-
vi)	Provision for Taxation : Current Tax Deferred tax Mat credit entitlement	 762.98 (245.50) -	 198.00 252.12 (77.29)
vii)	Provision towards present value of sacrifice on restructuring, other contingencies etc.	(59.72)	(84.11)
	Total	**622.68**	**640.70**

1.2 **Earnings per Share ('EPS')**

Particulars	31 March 2015	31 March 2014
Weighted average number of equity shares used in computation of basic earnings per share (in 000's)	8,55,830	855,306
Weighted average number of equity shares used in computation of diluted earnings per share (in 000's)	8,55,830	855,306
Nominal Value of share (in ₹)	2	2
Basic earnings per share (in ₹)	12.36	9.93
Diluted earnings per share (in ₹)	12.36	9.93
Earnings used in the computation of basic and diluted earnings per share (₹ in '000)	105,78,143	84,97,493

1.3 A. Subscribed and paid up capital includes:

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

(ii) 1,66,66,588 underlying equity shares of ₹2/- each (Previous Year 2,10,25,590 of ₹2/- each) held by custodian on behalf of holders of Global Depository Receipts (GDRs)

(iii) 14,14,692 ESOS shares of ₹2/- per share (Previous Year 74,280 shares of ₹2/- Per Share) allotted under ESOS 2010.

B. Allotment of 6,530shares of ₹2/- each (Previous year 6,530 shares of ₹2/- each pertaining to the Right issue of 1993 issued at premium of ₹25/- per share and 2,62,100 shares of ₹2/- each (Previous year 2,62,100 shares of ₹2/- per share) pertaining to the Rights issue of 1996 issued at a premium of ₹140/- per Share and 10,80,415 equity shares of ₹2/- each (previous year 10,83,415 shares of ₹2/- per share, at a premium of ₹240/- per share) pertaining to Rights issue of 2007 are kept pending following orders from various courts.

Issue of certificates/credit in demat account in respect of 4,11,940 shares of ₹2/- each (previous year 412,940 shares of ₹2/- each) out of the Bonus issue of 2004 are kept in abeyance consequent to injuction orders from various courts.

1.4 **Employee Stock Option Scheme ("ESOS")**

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

Number of Options

	31 March, 2015	**31 March, 2014**
Outstanding at the beginning of the year	3,70,27,805	2,72,31,395
Surrendered during the year	-	-
Granted during the year*	55,78,225	1,30,47,125
Exercised during the year	13,40,412	16,125
Forfeited/lapsed during the year	7,03,525	32,34,590
Outstanding at the end of the year	4,05,62,093	3,70,27,805
Options exercisable	2,04,87,033	1,37,95,665

* ESOS granted on 12th September 2014 with vesting period of 1,2,3 and 4 years. Exercise period of 5 years and exercise price of ₹124/- per share.

As per SEBI guidelines the accounting for ESOS can be done either under the 'Intrinsic value basis' or 'Fair value basis'.

The Compensation Committee in their meeting dated 10/05/2012 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 24 December 2010

The exercise price of the options granted is the same as the market price on the date prior to grant date and hence there is no intrinsic value for the options, which has to be amortized over the vesting period. If "Fair Value Method" had been adopted based on "Black-Scholes pricing model" for pricing and accounting of options, net profit would be lower by ₹ 25.42Crore (Previous Year: ₹ 20.03 Crore)

The modified basic and diluted earnings per share for the year, had the company followed Fair Value Method of accounting for ESOS compensation cost, would be ₹ 12.06 and ₹ 11.93 (Previous Year: ₹ 9.70 and ₹ 9.64) respectively.

(ii) Dividend paid on shares issued on exercise of stock options

The Bank may allot shares between the Balance Sheet date and record date for the declaration of dividend pursuant to the exercise of any employee stock options. These shares will eligible for full dividend for the year ended 31 March 2015, if approved at the ensuing Annual General Meeting. Dividend relating to these shares has not been recorded in the current year.

iii) Dividend (Including tax/cess thereon) appropriation of ₹ 0.02 Crore represent dividend for Financial Year 2013-14 on the shares issued under Employee Stock Options Scheme before the record date, as per shareholders approval.

1.5 **Segment Reporting (AS 17)**

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

Treasury

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

The income of this segment primarily consists of earnings from the investment portfolio of the bank, gains and losses on trading operations. The principal expense of the segment consists of interest expense on funds borrowed/utilized and other allocated overheads.

Corporate/Wholesale Banking:

This segment provides loans and other banking services to Corporate and other clients where value of individual exposure to the Clients exceeds ₹.5 Crore as defined by RBI. Revenue of this segment consists of interest and fees earned on loans to such customers and charges and fees earned from other banking services. Expenses of this segment primarily consist of interest expense on funds utilized and allocated overheads

Retail banking:

Retail banking constitutes lending and other banking services to individuals/small business customers, other than corporate/wholesale banking customers, identified on the basis of RBI guidelines.

Revenue of this segment consists of interest earned on loans made to such customers and charges /fees carried from other banking services to them. The principal expenses of the segment consist of interest expenses on funds borrowed and other expenses.

Other Banking Operations

This segment includes parabanking activities like third party product distribution and other banking transactions, not covered under any of the above segments. The income from such services and associated costs are disclosed in this segment.

The operations of Subsidiary has been classified under 'Retail Banking'.

Segment results as on 31 March 2015, are set out below:

(₹ in Crore)

Business Segments	Treasury	Corporate/Whole sale Banking	Retail Banking	Other Banking Operations	Total
Revenue	2250.27	2349.93	3646.51	119.60	8366.31
Result (net of provisions)	342.18	333.99	769.65	103.72	1549.54
Unallocated expense					(19.97)
Operating profit (PBT)					1529.57
Income taxes					(517.48)
Share of Profit of associate					45.72
Extraordinary profit/loss					-
Net Profit					1057.81
OTHER INFORMATION					
Segment Assets	28815.23	20520.08	31106.70	24.32	80466.33

Unallocated assets					2441.96
Total assets					82908.29
Segment liabilities	26245.20	19181.63	29179.37	-	74606.20
Unallocated liabilities					601.82
Total liabilities					75208.02

Segment results as on 31 March 2014, are set out below:

(₹ in Crore)

Business Segments	Treasury	Corporate/Whole sale Banking	Retail Banking	Other Banking Operations	Total
Revenue	2117.92	2233.40	3197.53	142.03	7690.88
Result (net of provisions)	149.90	291.62	653.22	121.80	1216.54
Unallocated expense					(14.79)
Operating profit (PBT)					1201.75
Income taxes					(372.83)
Share of Profit of associate					20.83
Extraordinary profit/loss					--
Net Profit					849.75
OTHER INFORMATION					
Segment Assets	28338.42	18443.57	26498.01	15.39	73295.39
Unallocated assets					1349.45
Total assets					74644.84
Segment liabilities	25331.70	17066.36	24637.36	-	67035.42
Unallocated liabilities					748.72
Total liabilities					67784.14

Geographic Segment Information

The business of the group is concentrated in India. Accordingly, disclosure of geographical segment results is not applicable.

1.6 **Related Party Disclosures**

a) Details of Related Parties:

Name of the Party	Nature of Relationship
IDBI Federal Life Insurance Company	Associate

Limited	
Sri. Shyam Srinivasan, Managing Director & CEO	Key Management Personnel
Mr. P C John , Executive Director & CFO (Upto 30th April, 2013)	Key Management Personnel
Sri. Abraham Chacko (Executive Director)	Key Management Personnel

b) Significant transactions with related parties:

(₹ in Crore)

Particulars	Key Management Personnel #	
	31 March 2015	31 March 2014
Remuneration		
Sri. Shyam Srinivasan	0.78	0.95
Mr. P C John (including Retirement Benefits)	-	0.20
Sri. Abraham Chacko	0.75	0.82
Dividend Paid	*	*

Asterisk denotes figures below ₹ 1 Lakh

During the year 2014-15, 641 Thousands (Previous Year : 966 Thousands) number of Stock Options under " ESOS 2010" Scheme were granted to Managing Director & CEO and Executive Director of the Bank

The normal transactions of the Bank with the above persons as constituents are not reckoned for the purpose of disclosure.

Note: In accordance with the RBI Guidelines on Compliance with the Accounting Standards by the Banks, the details of transactions with associate have not been disclosed since there is only one entity in the respective category of the related party

1.7 Fixed Assets

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

(₹ in Crore)

Particulars	31 March 2015	31 March 2014
Gross Block		
At the beginning of the year	82.87	73.31
Additions during the year	14.59	9.56
Deductions during the year	-	-
Closing Balance	97.46	82.87
Depreciation / Amortisation		

At the beginning of the year	55.70	37.24
Charge for the year	19.08	18.46
Deductions during the year	-	-
Depreciation to date	74.78	55.70
Net Block	22.68	27.17

b) Depreciation

The Bank

During the year, pursuant to the notification of Schedule II to the Companies Act, 2013 with effect from April 1, 2014, the Bank changed its method of depreciation for certain categories of fixed assets from written down value (WDV) method to straight line method (SLM). Consequent to this change, all assets are now being depreciated under SLM except Premises which continues to be depreciated at WDV with useful life as mentioned in Schedule II to the Companies Act, 2013. The Bank also revised the estimated useful life of some of its assets to align the useful life with those specified in Schedule II. Further, assets individually costing ₹. 5,000/- or less that were depreciated fully in the year of purchase are now depreciated based on the useful life considered by the Bank for the respective category of assets. The details of previously and currently applied depreciation method, rates / useful life are as follows

Asset	**Previous Method of Depreciation**	**Previous Rate (%)**	**Current Method**	**Current Rate (%)**	**Useful life as per current method** (Years)
Premises	WDV	5.00	WDV	5.00	60
Electrical equipment and Other fittings	WDV	13.91	SLM	9.80	10
Furniture	WDV	18.10	SLM	9.80	10
Cycles	WDV	20.00	SLM	9.80	10
Vehicles	WDV	25.89	SLM	12.25	8
Computers	SLM	33.33	SLM	33.33	3
Improvements to Leased premises	SLM	20.00	SLM	20.00	5

Pursuant to the transition provisions prescribed in Schedule II to the Companies Act, 2013, the Bank has fully depreciated the carrying value of assets (determined after considering the change in the method of depreciation from WDV to SLM), net of residual value, where the remaining useful life of the asset was determined to be nil as on April 1, 2014, and has adjusted an amount of ₹ 2.32 Crore (net of deferred tax of ₹ 1.19 Crore) against the opening Surplus balance in the Statement of Profit and Loss under Reserves and Surplus.

The bank has changed the method of providing depreciation from written down value method to Straight line method for certain assets from 1st April, 2014. This change in method has resulted in excess depreciation charge in earlier years amounting to ₹ 24.37 Crore which has been reversed to Profit and Loss Account for the quarter and nine months ended 31st December, 2014.

The depreciation expense in the Statement of Profit and Loss for the year is lower by ₹ 4.69 Crore consequent to the above change in the method of depreciation.

The subsidiary

The Company has recomputed depreciation based on the useful life of the assets as prescribed in Schedule II of the Companies Act, 2013. Further, as per the transitional provisions, the company has adjusted Rs 437 thousand (Net of Deferred Tax) in the opening balance of Reserves & Surplus.

c) 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 valuers was credited to Revaluation Reserve.

1.8 **Deferred Tax Assets / Liability**

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

(₹ in Crore)

	31st March 2015	**31st March 2014**
Deferred Tax Liability		
Tax effect of items constituting deferred tax liability:		
(i) Interest accrued but not due	142.16	137.83
(ii) Depreciation on Fixed Assets	-	2.14
(iii) Depreciation on Investments	106.43	349.70
(iv) Special Reserve under Section 36 (1) (viii) of the Income Tax Act, 1961	80.28	12.99
Total (A)	**328.87**	**502.66**
Deferred Tax Asset		
Tax effect of items constituting deferred tax assets:		
(i) Interest/premium paid on purchase of securities	78.10	65.89
(ii) Provision for Standard Assets	99.24	83.41
(iii) Depreciation on Fixed Assets	3.72	-
(iv) Others	109.11	227.82
Total (B)	**290.17**	**377.12**
Deferred tax liability/ (Asset) (A-B)	**38.70$**	**125.54$**
Less: Deferred tax on value of assets depreciated on expiry of useful life as on 1 April, 2014.	**1.21**	**-**
Add: Deferred tax on Reserve under Section 36(1)(viii) of the Income Tax Act, 1961, upto 31	**-**	**53.96**

March, 2013 drawn from Revenue Reserve		
Less: Deferred tax on Provision for NPA and other disallowances by the Income Tax Department	**-**	**(104.70)**
Net Deferred tax liability/ (Asset)	**37.49**	**284.20$**

$ Net Deferred Asset of ₹ 245.50 [Previous Year ₹ 252.12 Crore (debited)] credited to the Consolidated Profit and Loss Account.

B. **Draw Down from Reserves**

The Bank has not made any draw down from reserves during the year.

In accordance with Reserve Bank of India circular DBOD.No.BP.BC.77/21.04.018/ 2013-14 dated 20 December 2013, the Bank has provided deferred tax liability in respect of special reserve created under Section 36 (1) (viii) of the Income Tax Act 1961 for the period upto 31 March 2013 amounting to ₹.53.96 Crore by drawing down the balance from Revenue Reserve during the previous year.

1.9 **Employee Benefits**

a) **Defined Contribution Plan**

The Bank

Provident Fund

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

New Pension Scheme

As per the industry level settlement dated 27/04/2010, employees who joined the services of the Bank on or after 01/04/2010 are not eligible for the existing pension scheme whereas they will be eligible for Defined Contributory Pension Scheme (DCPS) in line with the New Pension Scheme introduced for employees of Central Government. Employee shall contribute 10% of their Basic Pay and Dearness Allowance towards DCPS and the Bank will also make a matching contribution. There is no separate Provident Fund for employees joining on or after 01/04/2010.

The Subsidiary

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

The Group Makes Provident Fund, Employee State Insurance Scheme Contributions and Defined Contributory Pension Scheme for Qualifying Employees. Under the schemes, the Group is required to contribute a specified percentage of the payroll costs to fund the benefits. The Group recognised ₹ 1.24 Crore (Previous year: ₹ 1.44 Crore) for provident fund contributions, ₹ 0.18 Crore (Previous Year ₹ 0.30 Crore) for Employee State Insurance Scheme Contributions and ₹ 13.34 Crore (Previous year: ₹ 9.41 Crore) for DCPS in the consolidated Profit and Loss Account. The Contributions payable to these plans by the group are at the rates specified in the Rules of the Schemes.

b) Defined benefit plan

The Group offers the following employee benefit schemes to its employees:

i. Gratuity
ii. Superannuation/Pension

Gratuity

The Bank

The Bank provides for Gratuity, a defined benefit retirement plan (the "Gratuity Plan") covering the eligible employees. The Gratuity Plan provides a lumpsum payment to vested employees on retirement, death, incapacitation or termination of employment, of an amount based on the respective employees' salary and the tenure of employment. Vesting occurs upon completion of five years of service as per Payment of Gratuity Act, 1972 and its amendment with effect from 24.05.2010 or as per the provisions of the Federal Bank Employees' Gratuity Trust Fund Rules / Bi-partite Award provisions. Liabilities with regard to the Gratuity Plan are determined by Actuarial valuation as on the Balance Sheet date, based upon which, the Bank contributes all the ascertained liabilities to the Federal Bank Employees' Gratuity Trust Fund (the "Trust"). Trustees administer contributions made to the Trust and contributions are invested in specific investments as permitted by law.

The Subsidiary

The net present value of the obligation for un-funded gratuity benefits, which is a defined benefit plan, as determined on independent actuarial valuation, conducted annually using projected unit credit method, as adjusted for unrecognized past services cost, if any, is recognised in the accounts. Actuarial gains and losses are recognised in full in the Profit and Loss Account for the period in which they occur.

Superannuation / Pension

The Bank

The Bank provides for monthly pension, a defined benefit retirement plan (the "pension plan") covering eligible employees. The pension plan provides a monthly pension after retirement of the employees till death and to the family after the death of the pensioner. The monthly pension is based on the respective employees' salary and the tenure of employment. Vesting occurs upon completion of ten years of service. The Bank pays the monthly pension by purchasing annuities from Life Insurance Corporation of India (LIC). 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 (the "Trust"). Trustees administer contributions made to the Trust and contributions are invested in specific investments as permitted by law.

The following table as furnished by Actuary sets out the funded status of gratuity / pension plan and the amount recognized in the Group's financial statements as at March 31, 2015.

i) Change in benefit obligations

(₹ in Crore)

Particulars	**Gratuity Plan**				**Pension Plan**	
	FBL		**FFSL**		**FBL**	
	2014-15	**2013-14**	**2014-15**	**2013-14**	**2014-15**	**2013-14**
Projected benefit obligation, beginning of the year	201.26	240.13	0.15	0.08	531.78	584.12
Service Cost	13.59	13.07	0.05	0.10	56.51	47.11
Interest cost	15.03	19.75	0.01	0.01	36.90	44.22
Actuarial (gain)/ loss	6.33	(42.74)	(0.08)	(0.04)	103.42	13.77
Benefits paid	(26.87)	(28.95)	(0.05)	*	(141.13)	(157.44)
Projected benefit obligation, end of the year	**209.34**	**201.26**	**0.08**	**0.15**	**587.48**	**531.78**

Asterisk denote figure below ₹ 1 Lakh

ii) Change in plan assets

(₹ in Crore)

Particulars	**Gratuity Plan**				**Pension Plan**	
	FBL		**FFSL**		**FBL**	
	2014-15	**2013-14**	**2014-15**	**2013-14**	**2014-15**	**2013-14**
Plan assets at beginning of the year at fair value	230.83	221.67	-	-	416.25	444.17

Expected return on plan assets	20.52	19.49	-	-	36.96	38.33
Actuarial gain/(loss)	(0.96)	0.16	-	-	3.56	0.26
Employer's Contributions	-	18.46	-	-	228.76	90.93
Benefits paid	(26.87)	(28.95)	-	-	(141.13)	(157.44)
Plan assets at end of the year, at fair value	223.52	230.83	-	-	544.40	416.25

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

(₹ in Crore)

Particulars	Gratuity Plan				Pension Plan	
	FBL		FFSL		FBL	
	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14
Fair value of plan assets at the end of the year	223.52	230.83	-	-	544.40	416.25
Present value of the defined benefit obligations at the end of the year	209.34	201.26	0.08	0.15	587.48	531.78
Liability/ (Asset) recognized in the Consolidated Balance Sheet	(14.18)	(29.57)	0.08	0.15	43.08	115.53@

@ Includes amount payable on account of transitional liability due to second option for pension ₹ Nil (Previous year ₹ 33.68 Crore)

iv) Gratuity / pension cost for the year ended 31 March, 2015

(₹ in Crore)

Particulars	Gratuity Plan				Pension Plan	
	FBL		FFSL		FBL	
	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14
Service cost	13.59	13.07	0.05	0.10	56.51	47.11
Interest cost	15.03	19.75	0.01	0.01	36.90	44.22
Expected return on plan assets	(20.52)	(19.49)	-	-	(36.96)	(38.33)
Actuarial (gain)/loss	7.29	(42.90)	(0.08)	(0.04)	99.86	13.51
Employee Cost	15.39	(29.57)	(0.02)	0.07	156.31	66.51
Amortisation Cost	-	-	-	-	33.68	33.68
Net Cost Debit to Consolidated Profit and Loss Account	15.39	(29.57)	(0.02)	0.07	189.99	100.19
Amount not debited in Consolidated	-	-	-	-	-	33.68

Profit and Loss account, but carried over to be amortised in future years #						
Actual return on plan assets	19.56	19.64	-	-	40.52	38.59

See Note No. 1.10 of Schedule 18.

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

Particulars	Gratuity Plan				Pension Plan	
	FBL		FFSL		FBL	
	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14
Central and state Government bonds	40.13	42.66	NA	NA	129.72	134.04
Other debt securities	27.15	27.65	NA	NA	79.05	82.04
Balance in Saving bank account with the Bank	2.14	1.17	NA	NA	56.83	2.94
Net current assets	1.89	2.04	NA	NA	5.88	6.15
Balance with LIC #	152.21	157.31	NA	NA	272.92	191.08
Total	223.52	230.83	NA	NA	544.40	416.25

NA – Not Applicable.

In the absence of detailed information regarding plan assets which is funded with Life Insurance Corporation of India, 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

a) FBL (₹ in Crore)

Particulars	**2014-15**	**2013-14**	**2012-13**	**2011-12**	**2010-11**
Defined Benefit Obligations	209.34	201.26	240.13	225.25	203.51
Plan Assets	223.52	230.83	221.67	198.87	184.69
Surplus/[Deficit]	14.18	29.57	(18.46)	(26.38)	(18.82)
Experience adjustments on Plan Liabilities [Gain/(Loss)]	(6.31)	(5.74)	17.02	0.03	13.89
Experience Adjustments on Plan Assets [Gain/ (Loss)]	1.19	1.76	22.33	0.64	(0.26)

b) **FFSL** (₹ in Crore)

Particulars	**2014-15**	**2013-14**	**2012-13**	**2011-12**	**2010-11**
Defined Benefit obligations	0.08	0.15	0.08	0.04	0.08
Plan Assets	Nil	Nil	Nil	Nil	Nil

Surplus/[Deficit]	(0.08)	(0.15)	(0.08)	(0.04)	(0.08)
Experience adjustments on Plan Liabilities [Gain/(Loss)]	(0.03)	(0.02)	0.04	(0.02)	0.03
Experience adjustments on Plan Assets [Gain/(Loss)]	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable

ii) Pension Plan

FBL

(₹ in Crore)

Particulars	2014-15	2013-14	2012-13	2011-12	2010-11
Defined Benefit Obligations	587.48	531.78	584.12	598.76	589.34
Plan Assets	544.40	416.25	444.17	422.62	404.04
Surplus/[Deficit]	(43.08)	(115.53)	(139.95)	(176.14)	(185.30)
Experience adjustments on Plan Liabilities [Gain/(Loss)]	(79.75)	(8.18)	(1.22)	450.11	0.59
Experience adjustments on Plan Assets [Gain/(Loss)]	2.19	3.03	1.38	0.96	(0.37)

vii) Assumptions

Particulars	Gratuity Plan				Pension Plan	
	FBL		FFSL		FBL	
	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14
Discount rate	8.00%	8.75%	7.74%	8.80%	8.00%	8.75%
Annuity rate per Rupee	-	-	-	-	126.18297	126.18297
Salary escalation rate	5.10%	5.10%	6.00%	7.50%	5.10%	5.10%
Estimated rate of return on plan assets	8.89%	8.79%	-	-	8.88%	8.63%
Attrition Rate	3.00%	3.00%	Not Available	Not Available	3.00%	3.00%
Mortality Table	IALM 2006-08 Ultimate	IALM 2006-08 Ultimate	IALM 2006-08 Ultimate	IALM 2006-08 Ultimate	IALM 2006-08 Ultimate	IALM 2006-08 Ultimate

The estimates of future salary increases 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.

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

The Bank

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

A sum of ₹ 8.73 Crore (Previous year: ₹ 2.13 Crore) has been provided towards the above liabilities in accordance with AS 15 (Revised) based on actuarial valuation.

The Subsidiary

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

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

(₹ in Crore)

	As at 31 March, 2015		**As at 31 March, 2014**	
	FBL	**FFSL**	**FBL**	**FFSL**
Privilege leave	120.89	0.23	115.99	0.28
Sick leave	30.93	-	30.77	-
Leave Travel Concession	11.03	-	7.67	-
Casual Leave	0.82	-	0.51	-
Total actuarial liability	163.67	0.23	154.94	0.28
Assumptions				
Discount rate	8.00%	7.74%	8.75%	8.80%
Salary escalation rate	5.10%	6.00%	5.10%	7.50%
Attrition Rate	3.00%	Not Available	3.00%	Not Available

The discount rate is based on the prevailing market yields of Government of India securities as at the Balance Sheet date for the estimated term of the obligations.
The estimate of future salary increases considered, takes into account the inflation, seniority, promotion, increments and other relevant factors.

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

1.10 The net liability arising on exercise of second option for Pension by employees (other than separated / retired employees) actuarially determined during Financial Year 2010-11 at ₹ 168.43 Crore is amortised equally over a period of five years pursuant to the exemption from the application of the provisions of the Accounting Standard (AS) 15, Employee Benefits, granted by the Reserve Bank of India and made applicable to the Bank vide letter no. DBOD No.BP.BC.15896 / 21.04.018 / 2010-11 dated April 8, 2011. Accordingly, an amount of ₹ 33.68 Crore (Previous Year: ₹ 33.68 Crore), being proportionate amount is charged to Consolidated Profit and Loss Account for the year.

1.11 **Provisions and Contingencies**

a) Movement in provision for frauds included under other liabilities:

(₹ in Crore)

	31 March, 2015	**31 March, 2014**
Balance at the beginning of the year	5.32	5.10
Additions during the year	2.30	0.22
Reductions on account of payments during the year	-	-
Reductions on account of reversals during the year	0.98	*
Balance at the end of the year	**6.64**	**5.32**

Asterisk denotes figures below ` 1 Lakh.

b) Movement in provision for debit card reward points:

(₹ in Crore)

	31 March, 2015	**31 March, 2014**
Balance at the beginning of the year	1.00	3.53
Provision made during the year	2.76	--
Reductions during the year	1.51	2.53
Balance at the end of the year	**2.25**	**1.00**

c) Movement in provision for other contingencies:

(₹ in Crore)

	31 March, 2015	31 March, 2014
Balance at the beginning of the year	142.05	32.82
Provision made during the year	17.47	110.69
Reductions during the year	13.98	1.46
Balance at the end of the year	**145.54**	**142.05**

d) Movement in floating provision:

(₹ in Crore)

Particulars	Standard Assets Provisions		NPA Provision	
	2014-15	2013-14	2014-15	2013-14
Opening balance	25.50	38.00	179.52	179.52
Provision made during the year	-	-	-	-
Draw down from provision *	12.75	12.50	41.34	-
Closing balance	12.75	25.50	138.18	179.52

* Floating provision has been utilised in accordance with RBI guideline dated February 7, 2014 and March 30, 2015.

1.12 **Description of contingent liabilities:**

a) Claims against the Group not acknowledged as debts

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

b) Liability on account of forward exchange and derivative contracts

The Bank enters into foreign exchange contracts (currency swaps, Forward exchange contracts and currency futures) on its own account. Bank enters into Forward exchange contracts for customers. Forward exchange contracts are commitments to buy or sell foreign currency at a future date at the contracted rate. Currency swaps are commitments to exchange cash flows by way of interest/principal in two currencies, based on ruling spot rates. Interest rate swaps are commitments to exchange fixed and floating interest rate cash flows. Currency Futures contract is a standardized, exchange-traded contract, to buy or sell a certain underlying currency at a certain date in the future, at a specified price.

c) Guarantees given on behalf of constituents

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

d) Acceptances, endorsements and other obligations

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

e) Other items for which bank is contingently liable

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

Refer schedule 12 for amounts relating to contingent liability

1.13 **Provision for Long Term contracts**

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

1.14 Additional information as required by paragraph 2 of the General Instructions for preparation of Consolidated Financial Statements to Schedule III to the Companies Act, 2013.

Name of the entity	**Net Assets i.e. total assets minus total liabilities**		**Share of profit or loss**	
	As % of Consolidated Net Assets	**Amount (₹ in Crore)**	**As % of Consolidated Profit or Loss**	**Amount (₹ in Crore)**
Parent: The Federal Bank Limited	100.49%	7738.13	95.08%	1005.75
Subsidiary: Fedbank Financial Services Limited	0.07%	5.68	0.60%	6.34
Associate: IDBI Federal Life Insurance Company Limited	(0.56%)	(43.54)	4.32%	45.72
Total	**100%**	**7700.27**	**100%**	**1057.81**

1.15. **Additional disclosure**

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

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

For and on behalf of the Board of Directors

Krishnakumar K Deputy General Manager	Girish Kumar Ganapathy Company Secretary	Abraham Chacko Executive Director	Shyam Srinivasan Managing Director & CEO

D. Sampath
General Manager & CFO

Prof. Abraham Koshy
Chairman

Directors:

Nilesh S Vikamsey

K M Chandrasekhar

Sudhir M Joshi

Dilip G Sadarangani

Harish H Engineer

Grace Elizabeth Koshie

Shubhalakshmi Panse

Place: Kochi
Date: 29th April, 2015

DECLARATION

Our Bank certifies that all relevant provisions of Chapter VIII read with Schedule XVIII of the SEBI ICDR Regulations have been complied with and no statement made in this Placement Document is contrary to the same and that all approvals and permissions required to carry on our Bank's business have been obtained, are currently valid and have been complied with. Our Bank further certifies that all the statements in this Placement Document are true and correct.

Signed by:

Shyam Srinivasan
Managing Director

Date: June 27, 2017
Place: Mumbai

DECLARATION

We, the Directors of our Bank certify that:

(i) our Bank has complied with the provisions of the Companies Act, 2013 and the rules made thereunder;

(ii) the compliance with the Companies Act, 2013 and the rules does not imply that payment of dividend or interest or repayment of debentures, if applicable, is guaranteed by the Central Government; and

(iii) the monies received under the offer shall be used only for the purposes and objects indicated in this Placement Document (which includes disclosures prescribed under Form PAS-4).

Signed by:

____

Shyam Srinivasan
Managing Director

I am authorised by the Credit Committee & Investment and Raising Capital Committee, a committee of our Board of Directors, through resolution dated June 27, 2017 to sign this form and declare that all the requirements of Companies Act, 2013 and the rules made thereunder in respect of the subject matter of this form and matters incidental thereto have been complied with. Whatever is stated in this form and in the attachments thereto is true, correct and complete and no information material to the subject matter of this form has been suppressed or concealed and is as per the original records maintained by the promoters subscribing to the Memorandum of Association and the Articles of Association.

It is further declared and verified that all the required attachments have been completely, correctly and legibly attached to this form.

Signed by:

____

Shyam Srinivasan
Managing Director

Date: June 27, 2017
Place: Mumbai

THE FEDERAL BANK LIMITED
Registered and Corporate Office
Federal Towers, P B No. 103, Aluva, Ernakulam 683 101, Kerala, India
Website: www.federalbank.co.in; **CIN**: L65191KL1931PLC000368
Contact Person: Girish Kumar Ganapathy, Company Secretary and Compliance Officer

Address of Compliance Officer:
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E-mail: federalbank.qip@kotak.com

**One of the Directors of our Bank is also a director of IIFL Holdings Limited. In compliance with Regulation 21A of the Securities and Exchange Board of India (Merchant Bankers) Regulations, 1992, as amended, IIFL Holdings Limited would be involved only in the marketing of the Issue.*

STATUTORY AUDITORS TO OUR BANK

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