

**FEDERAL BANK**  
YOUR PERFECT BANKING PARTNER

GROWING TOGETHER IS  
**PARTNERSHIP**



ANNUAL REPORT 2013-14

# Content

## Safe Harbour

This document contains certain forward-looking statements based on current expectations of The Federal Bank Limited management. Actual results may vary significantly from the forward-looking statements contained in this document due to various risks and political conditions in India and outside India, volatility in interest rates and in the securities market, new regulations and Government policies that may impact the businesses of The Federal Bank Limited as well as its ability to implement the strategy. The Federal Bank Limited does not undertake to update these statements. This document does not constitute an offer or recommendation to buy or sell any securities of The Federal Bank Limited or any of its subsidiaries and associate companies. This document also does not constitute an offer or recommendation to buy or sell any financial products offered by The Federal Bank Limited. Figures for the previous year have been regrouped wherever necessary to conform to current year's presentation.

04	Corporate Identity		
08	Message from Chairman	05	Performance Dashboard
12	Board of Directors & Management Team	10	Message from MD & CEO
28	Management Discussion and Analysis	16	Directors' Report
72	Financial Statement of the Federal Bank	50	Corporate Governance
169	Financial Statement of Fedbank Financial Services Ltd.	137	Basel III Disclosures
		201	Consolidated Financial Statement

## Partnership for growth

The convergence of two streams of ideas, dreams and aspirations, bound together by a common goal. That's partnership. Be it in life, business or even in science, the whole is greater than the sum of its parts. A true partnership will raise the benchmark of growth and productivity for all the stakeholders.

At Federal Bank, our focus has always been on building and cultivating successful partnerships. Across the entire spectrum of businesses, be it NRI, Retail, SME, Agriculture or Large corporate, we have tried and succeeded in forging enduring partnerships.

The last financial year too echoed this core philosophy of partnership in its multifarious splendor. The following pages will take you through this absorbing story of harmonious growth. Showcasing a saga of consolidation and growth...all the while preparing for a future full of promise.



## About the Bank

### What we are

The Federal Bank Limited (erstwhile Travancore Federal Bank Limited) was incorporated with an authorised capital of ₹5,000 at Nedumpuram near Tiruvalla in Central Travancore in 1931 under the Travancore Companies Act. Registered Office of the Bank shifted to Alua on May 18th, 1945. Today, the Bank is listed on the Bombay, Cochin, National and London Stock Exchanges.

### Vision

- ▶ Be a “customer-centric” organisation setting standards for customer experience.
- ▶ Be the ‘trusted’ partner of choice for target (SME, Retail, NRI) customers.
- ▶ Become the numero uno bank in Kerala and a leading player in our chosen segments/markets.
- ▶ Offer innovative yet simple products supported by state-of-the-art technology.
- ▶ Have a dynamic and energised workforce with a strong sense of belonging.
- ▶ Deliver top tier financial performance and superior value to stakeholders.
- ▶ Be a role model for corporate governance and social responsibility.

### Our Mission

Devote balanced attention to the interests and expectations of stakeholders, and in particular:

**Shareholders:** Achieve a consistent annual post-tax return of at least 20% on net worth.

**Employees:** Develop in every employee a high degree of pride and loyalty in serving the Bank.

**Customers:** Meet and even exceed expectations of target customers by delivering appropriate products and services, employing, as far as feasible, single window and 24-hour-seven-day-week concepts, leveraging a strengthened branch infrastructure, ATMs, other alternative distribution channels, cross-selling a range of products and services to meet customer needs varying over time, and ensuring the highest standards of service at all times.

1,174

Branches (March 31, 2014)

1,359

ATMs (March 31, 2014)

10,467

Team (March 31, 2014)



## Performance dashboard

### Volume growth

SME Advances  
grew from  
₹ 8,119 Cr to  
₹11,021 Cr  
(Up by 37%)

NRI Deposits  
grew from  
₹15266 Cr to  
₹20659 Cr  
(Up by 35%)

CASA Deposits  
grew from  
₹15519 Cr to  
₹18401 Cr  
(Up by 19%)

Retail Advances  
grew from  
₹13,328 Cr to  
₹14,124 Cr  
(Up by 5.97%)

Priority Sector  
Advances grew  
from ₹11795 Cr to  
₹16141 Cr  
(Up by 37%)

### Income growth

Total Income  
grew from  
₹ 6832 Cr to  
₹ 7640 Cr  
(Up by 12%)

Net Interest  
Income grew from  
₹ 1975 Cr to  
₹ 2229 Cr  
(Up by 13%)

Other Income  
grew from  
₹ 665 Cr to  
₹ 694 Cr  
(Up by 4%)

### Key Ratios

Earnings Per  
Share  
₹ 9.81

CRAR  
(Basel – III)  
15.14%

Return on  
Equity  
12.80%

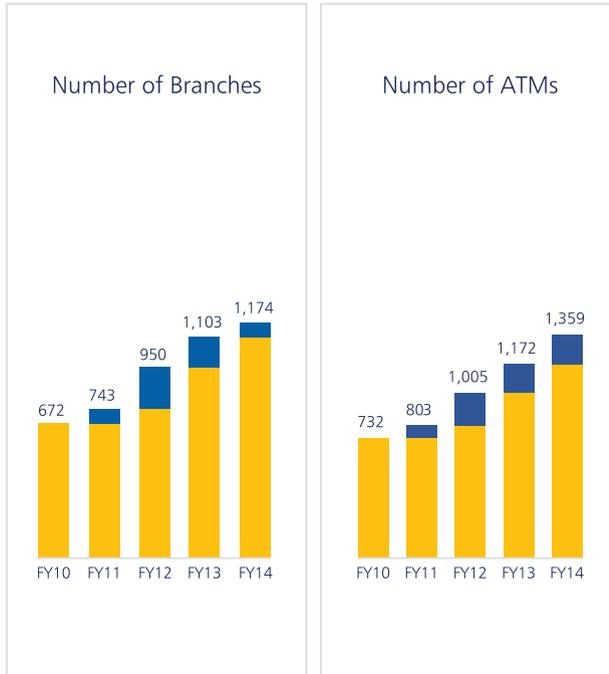
Net NPA  
0.74%

Provision  
Coverage Ratio  
84.16%



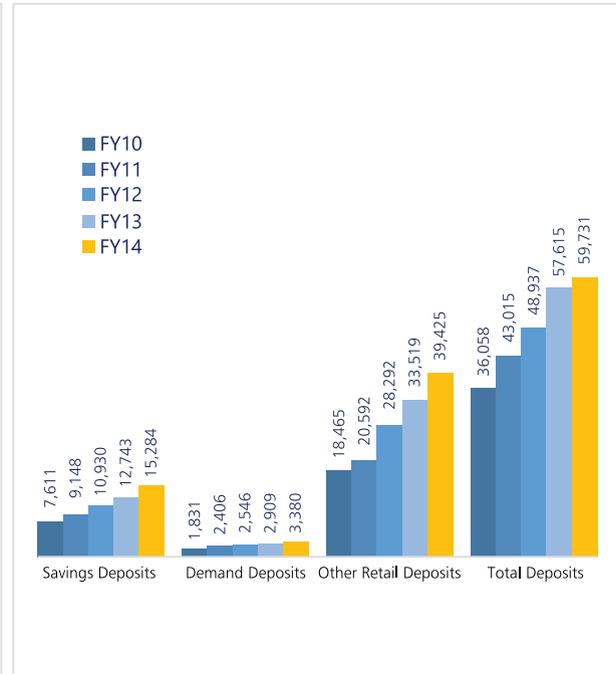
## Performance dashboard

### Footprint Expansion



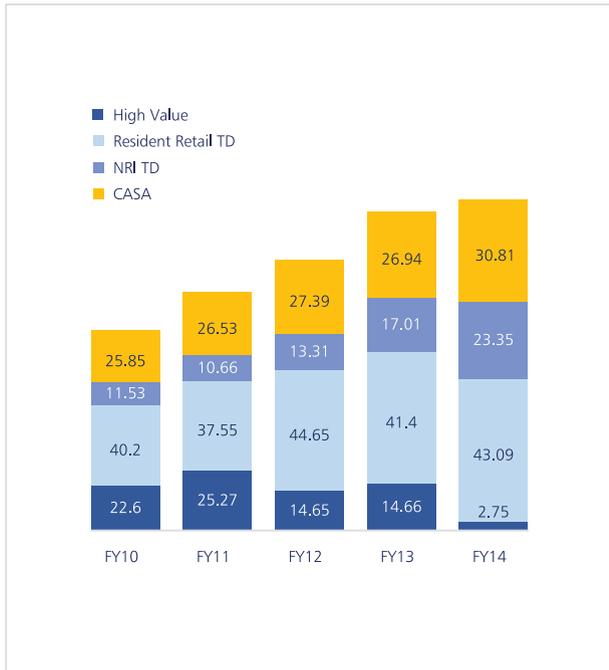
### Retail Deposit

(₹ in Crore)



### Deposit Mix

(%)



### Operating Profit

(₹ in Crore)



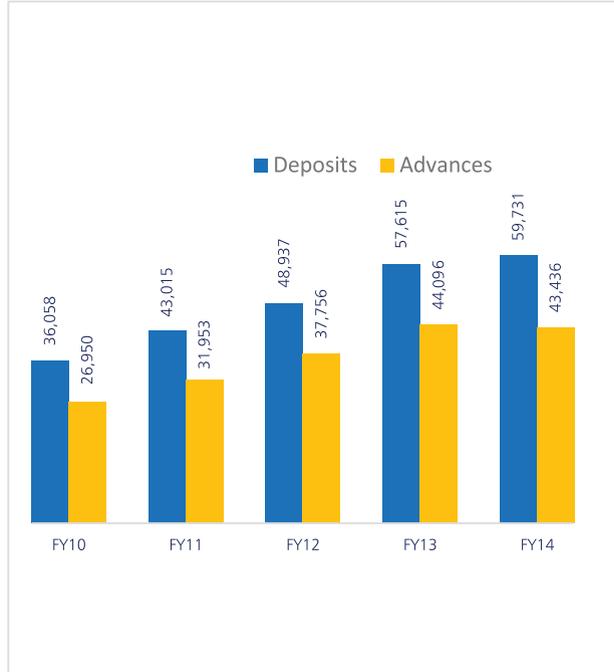
Net Profit

(₹ in Crore)



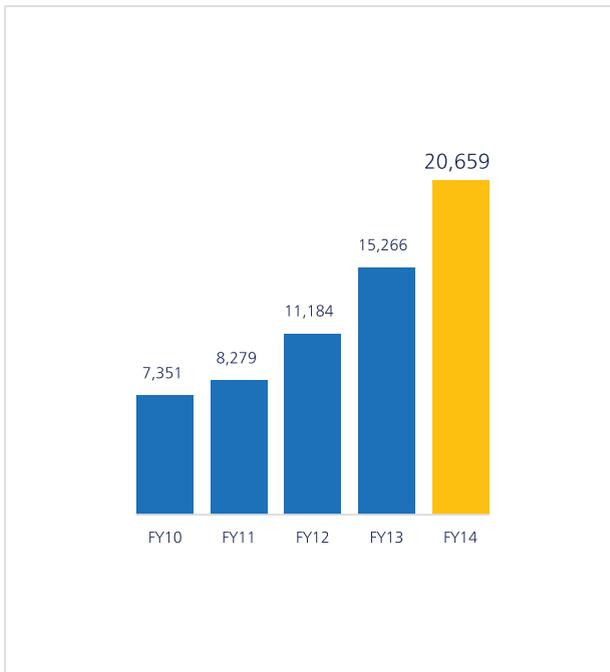
Business

(₹ in Crore)

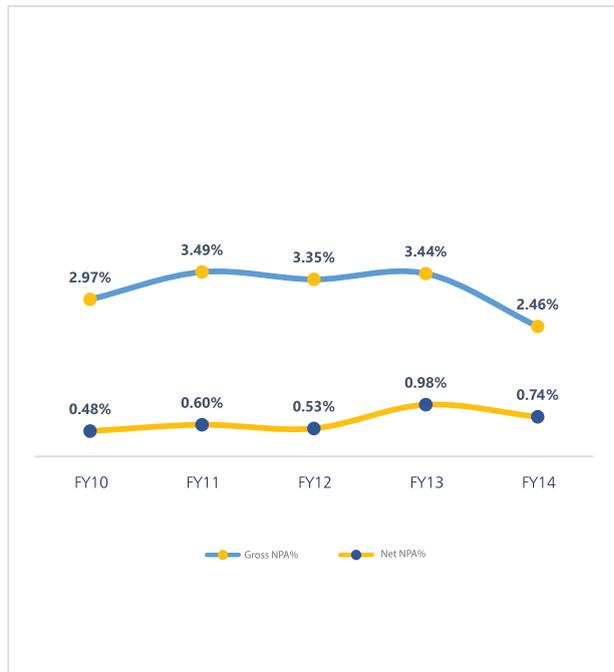


NR Deposits

(₹ in Crore)



Asset Quality



## Message from the Chairman



Dear Shareholders,

The Banking sector is entering a period of dynamic transformation. The economic scenario has created a set of tough challenges, while the regulatory and prudential obligations are making our job even tougher. The financial results for 2013-14 are to be viewed in this context. Building on the core theme of partnership, Federal Bank could confidently tackle the challenges and could register good growth and post a satisfactory result. It is my privilege to present before you the annual report of Federal Bank for the year ended March 31, 2014.

Financial year 2013 – 14 was a year of mixed fortunes for the Indian economy. With annual growth rate hovering below 5%, Asia's third largest economy was battling high inflation, a weak currency and a drop in foreign investment. But with the global economy gradually entering a recovery phase and with a good monsoon, we can confidently expect that our economy will soon enter a growth phase. Since the fundamentals of the Indian economy are strong and with some degree of course correction, the economy should achieve a growth rate of 8% in near term.

For banks across the spectrum, the general economic downturn meant poor credit take off and slower repayments. However RBI intervened at the appropriate intervals by easing

interest rates and by allowing the banks to avail Marginal Liquidity Facility and other supportive arrangements. These measures, coupled with our own spirited and committed efforts have yielded positive results. It is heartening to note that on all performance parameters such as profitability, EPS, dividend and the number of branches, your Bank could achieve impressive figures.

In challenging economic conditions, your Bank could register a sustained growth during the financial year 2013-14. Total Income grew by 11.83% from ₹ 6832 Crore to ₹ 7640 Crore, while Operating Profit grew from ₹ 1455 Crore to ₹ 1480 Crore. Your Bank also showed significant improvement in the Asset quality during the year. On a year on year basis the Gross NPA of the Bank came down from ₹ 1554 Crore to ₹ 1087 Crore, while Net NPA reduced from ₹ 432 Crore to ₹ 322 Crore, a decrease from 0.98% to 0.74%.

Provision Coverage Ratio (PCR) including written off assets increased year on year from 80.96% to 84.16%.

Your Bank continued to build on its strong Retail/NRI franchise that had helped it to improve its low cost deposit (CASA) by 19% from ₹ 15519 Crore as on 31 March 2013 to ₹ 18401 Crore as on 31 March 2014.

The number of branches of your Bank was 1174 and your Bank had 1359 ATMs as on 31 March 2014.



A set of progressive policy steps, being set in motion by the Finance Ministry and RBI is expected to transform the banking sector in a substantive way. For instance, the New Companies Act 2013, with its thrust on governance, transparency, investor protection and enforcement will hopefully have a strong positive bearing on all stakeholders. Your Bank has already instituted several measures and mechanisms to comply with the new Company Law, including the formation of a Board level CSR committee to impart added momentum to the CSR initiatives of the Bank. Your Bank is responsive to the potential and possibilities of the unfolding scenario.

With a series of new initiatives on the products/services front, your Bank is also getting future ready. By incorporating state of the art technology into our products and services, we are ensuring that Federal Bank is among the best in terms of speed, efficiency and customer delight. Your Bank is also proud to have a set of competent and dedicated team of employees.

The most important component in the corporate governance structure is the top management, particularly the Board of Directors and the senior level management of an enterprise. Your Bank is privileged to have an

inspiring and value-driven Board of Directors, comprising of 10 directors, out of which there are 8 independent Directors of outstanding caliber and credentials in the various economic segments of relevance to the Bank – such as banking, marketing, accountancy, SME, agriculture and IT. Your Bank has its first Lady Director in

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**B**y incorporating state of the art technology into our products and services, we are ensuring that Federal Bank is among the best in terms of speed, efficiency and customer delight.”

its history. Smt. Grace Elizabeth Koshie, who was inducted on the Board in financial year 2013- 2014. Shri. Harish Engineer, who is an experienced banker was also inducted on the Board during the same financial year . The Board has also inducted the second Lady Director, Smt. Shubhalakshmi Panse, former Chairman and Managing Director of Allahabad Bank, and who has over 38 years experience as a banker. The entire Board of your Bank, consists of leaders of exceptional calibre and character

and have persons who have achieved success over the years.

While concluding, it gives me great satisfaction to note that our customers continued to extend their overwhelming support to the Bank during the year, enabling us to retain the number one position in Kerala in terms of Net Profit amongst Kerala based Banks. The steady growth in the customer base of the Bank, both domestic and NRI, once again reflects the unshakeable trust reposed by generation after generation of customers in Federal Bank. I take this opportunity to wholeheartedly thank all our customers, associates and well wishers for extending their patronage and support.

“I wish to extend my personal and collective thanks to each and every shareholder of the Bank, for all their support and confidence placed in us. In return we assure you the highest standards of governance and performance.”

I also wish to extend my personal and collective gratitude to all the regulators and authorities, for their support and guidance in our endeavours. Thanks is also due to the valuable Customers of the Bank, the entire team of your Bank’s staff members, i.e the Federal Family.



## Message from the MD



Dear Shareholders,

I am honoured to present to you our results for the financial year 2013-14. Considering the daunting challenges and the adverse market conditions that prevailed in the macro-economic environment, it is indeed gratifying to note that your bank could keep up the growth momentum and post encouraging results.

The recovery from the global crisis of 2008-09 in the advanced economies has been uneven and fragile. Apart from this, a number of unique domestic issues too have had a dampening effect on growth and business confidence in India over the last two to three years. The banking industry, a direct reflection of the economy, has seen material challenges in the recent past, on the back of a struggling economy and spiraling current account and fiscal deficits. The environment, while not very growth friendly has seen many large banks soliciting additional capital as they battle the large ballooning of non-performing assets. Yet, Federal bank reaffirmed its position as a consistent performer and has delivered healthy numbers in this Financial Year also. It's the balanced trade-off between growth and quality which helped the bank to confidently navigate through tough

macro-economic headwinds and record growth with improved asset quality, both sequentially and on a Year-on-Year basis.

The bank's robust performance is reflected in all the key parameters. For your consideration, let me sum up a few of the important facts and figures.

- The bank has continued to build on its strong retail/NRI franchise. The NRE Deposits grew by 44.21% which shows the continued patronage of our Non Resident customers.
- The bank continued its focused efforts on improving asset quality. In tough macro-economic conditions, the bank could reduce Gross NPAs by 98 bps to 2.46% and net NPAs decreased by 24 bps to 0.74%
- The Bank's robust SME franchise is becoming an important growth driver and is delivering top quartile performance. Advances to SMEs increased 35.75% y-o-y as a result of our specific focus on SME.
- Our focus on Retail customer deposits is showing encouraging results. Savings grew by 20%, CASA grew by 19% and the share



of retail deposits grew to 95.88% of our overall deposit portfolio.

- The Bank continued to expand its footprint and added 71 branches and 187 ATMs during the Financial Year to take the tally to 1174 branches and 1359 ATMs as at March 31, 2014.
- We have introduced FedBook, a convenient and secure mobile passbook for customers who hold a Federal Bank account. FedBook is the first electronic passbook introduced by a bank in India.

Awards and recognitions always boost our collective morale. They make us proud and at the same time imbue us with a strong urge to do even better. Last year too, we won our fair share of recognitions from various quarters. I'm glad to mention here a few of the significant laurels we won last year:

- First among Best Managed Companies [MID CAP] in India by Finance Asia: Finance Asia, Asia's Largest circulated financial magazine had conducted Annual Finance Asia's Best Managed Companies Poll among Asia's

leading fund managers and analysts and Federal Bank has come out First among Best Managed Companies [MID CAP] in India in the ranking. This significant recognition is a strong



reinforcement of our commitment to all the stake holders.

- The IBA Innovation Award - 2013 for its innovative mobile application "FedBook".
- IDRBT Awards for Excellence in Banking Technology for the year 2012-13 for Best IT Team and Best Mobile Banking in the small bank category.

Our abiding partnership with our

esteemed customers is all set to flourish even more in the future. Adapting the latest technologies and adopting youthful marketing strategies, we are ready to connect with the hopes and aspirations of the new generation. We have chalked out an ambitious plan to get closer to our customers through social media engagement and other 'smart' new generation platforms. Our endeavour is to take this successful partnership to the next level.

Brimming with confidence and optimism, we are stepping into an exciting new phase in the growth of our bank. We have dotted the "i" s and crossed all the 't's in our preparations to embrace this exciting future. We have strengthened our risk management system. Our asset quality profile has improved and we plan to further build up quality assets. Our focus will continue to be SME & NRI segment. With the wholehearted support of our customers, investors and well wishers, I am sure that no mountain will be too high to climb and no river will be too wide to cross.

Thanking you once again for the unstinted support and patronage.



## Board of Directors

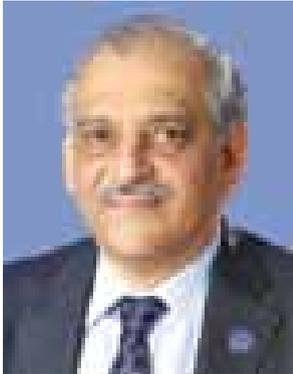


**Seated from left to right:** Smt. Grace Elizabeth Koshie | Shri Shyam Srinivasan, MD & CEO |  
Prof. Abraham Koshy, Chairman | Dr. M.Y. Khan | Shri K M. Chandrasekhar.

**Standing from left to right:** CA Nilesh Shivji Vikamsey | Shri Dilip Gena Sadarangani | Shri Harish Hansubhai  
Engineer | Shri Sudhir Moreshwar Joshi | Shri Abraham Chacko.



## Management Team



ASHUTOSH KHAJURIA



K I VARGHESE



MOHANACHANDRAN K R



SAMPATH D



JOSE V JOSEPH



SURENDRAN A.



MADHAVAKUMAR V R



PRODOSH KUMAR  
MOHAPATRA



THAMPY KURIAN



MANOHARAN M



# Universal Appeal

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## Fulfilling the Dreams of the Global Indian



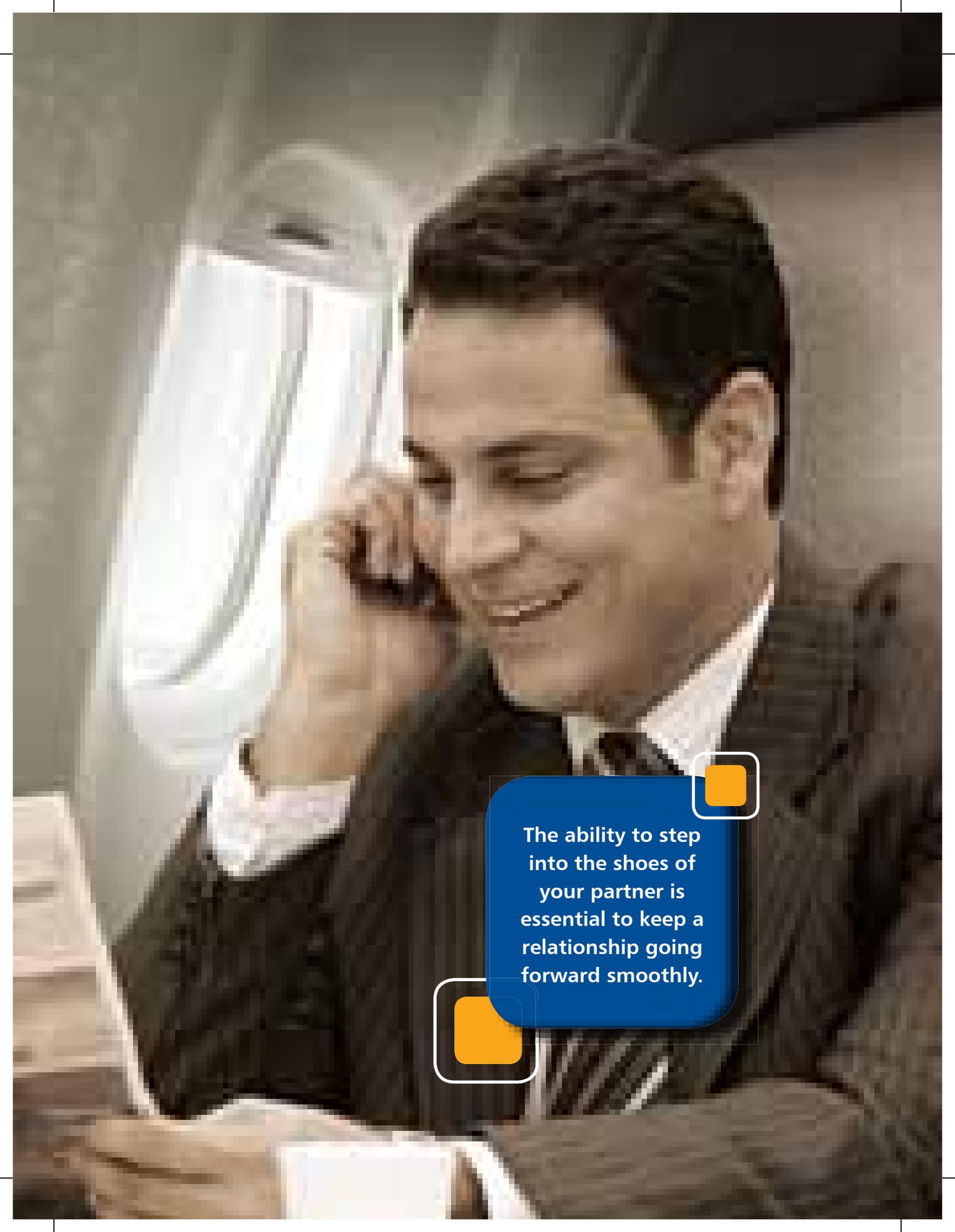
The global Indian of today is a savvy, well-informed and smart individual. His needs are far more diverse and complex. From an earlier generation of NRIs who were merely content with sending remittances home regularly, today's NRI is an evolved investor and entrepreneur rolled into one. For Federal Bank, NRIs constitute a significant chunk of the customer base. The bank has an intuitive grasp of their evolving needs. Keeping pace with the growing needs of the NRI community, Federal Bank comes out with a steady stream of innovative new products and services:

- 
- ▶ Online account opening, a hassle free online facility to open an NRI account at your ease.
  - ▶ Tie up with almost all the major players in GCC which provides comfort to remit money from their countries.
  - ▶ Correspondent banking arrangements (Nostro accounts) with 18 international banks in different parts of the globe to deal in 11 major currencies of the world.
  - ▶ Power packed products fulfilling the needs of every single customer.
  - ▶ Technology driven banking offering best in the innovative services. Fedbook , revolutionized the passbook on mobile platforms.

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We believe that these small steps help the NRI customers stay connected real-time with their finances as well as their loved ones, while forging the Bank's relationship with them further.



A man in a dark suit, white shirt, and patterned tie is smiling and talking on a mobile phone. He is looking down and to the left. The background is a blurred office setting with a window and blinds.

The ability to step into the shoes of your partner is essential to keep a relationship going forward smoothly.

## DIRECTORS' REPORT

Your Board of Directors has immense pleasure in presenting this 83rd Annual Report of The Federal Bank Limited, along with the audited financial statements for the year ended March 31, 2014.

Performance at a glance is given below:

FINANCIAL PARAMETERS	(Amount in INR Crores)	
	31-03-2014	31-03-2013
Net Interest Income	2,228.61	1,974.66
Fee and Other Income	693.85	664.44
Net Revenue	2,922.46	2,639.10
Operating Expense	1,442.07	1,184.54
Operating Profit	1,480.39	1,454.56
Net Profit	838.89	838.17
Profit brought forward	516.38	296.68
Total Profit Available for appropriation	1,355.27	1,134.85
Appropriations:		
Transfer to Statutory Reserves	209.73	209.55
Transfer to Revenue Reserves	103.07	172.14
Transfer to Capital Reserves	17.95	22.95
Transfer to Special Reserves	38.23	33.70
Proposed Dividend	171.06	153.95
Provision for Dividend Tax	27.87	26.17
Balance Carried over to Balance Sheet	787.36	516.39
Financial Position (as on)		
Deposits	59,731.28	57,614.86
Advances	43,436.10	44,096.71
Total Business (Deposits + Advances)	1,03,167.38	1,01,711.57
Other Borrowings	5,687.96	5,186.99
Investments	24,117.85	21,154.59
Total Assets (Balance Sheet Size)	74,594.15	71,032.95
Equity Capital	171.06	171.06
Ratios		
Return on Total Assets (%)	1.20	1.35
Return on Equity (%)	12.80	14.03
Earnings Per Share (₹)	9.81	9.80
Book value per share (₹)	80.36	72.95
Operating cost to Income (%)	49.34	44.88
Capital Adequacy Ratio (%) Basel (I)	NA	13.09
Capital Adequacy Ratio (%) Basel (II)	NA	14.73
Capital Adequacy Ratio (%) Basel (III)	15.14	NA



Though, the Financial year 2013-14 has been tough with economy growth at sub 5%, Your Bank has delivered a steady financial and operating performance for FY 2013-14 with continued focus on consolidation.

### Growth in Business

Total business of your Bank reached ₹ 1,03,167.38 Cr as on 31 Mar 2014. Total deposits increased by 3.67% from ₹ 57,614.86 Cr in FY'13 to ₹ 59,731.28 Cr in FY'14. The total advances of your Bank stood at ₹ 43,436.10Cr at the end of the year.

Average deposit portfolio of the bank had grown by 12.32% to reach ₹ 56,847.13 Cr and average advance portfolio had grown by 11.01% to reach ₹ 41,903.27 Cr.

NRE deposits led the path showing a growth rate of 44.21%, an increase from ₹ 13,156.98 Cr to ₹ 18,973.56 Cr and Retail deposits followed the suit by growing @ 18.12 % from ₹ 48,484.37 Cr to ₹ 57,269.57 Cr. CASA deposits also displayed a growth of 18.57% to reach, ₹ 18,400.79 Cr from ₹ 15,518.80 Cr.

The Savings deposits of the Bank has touched to 15284.26 Cr by growing 19.94% over that of the previous fiscal of ₹ 12,743.19 Cr.

The investment portfolio of the Bank registered a growth of 14.01% Y-o-Y to reach ₹ 24,117.85 Cr from ₹ 21,154.59Cr in the previous fiscal. The average investments on Y-o-Y basis registered a growth of 22.16% as compared to the previous fiscal year.

### Net Profit

During the year ended March 31, 2014, your Bank clocked a net profit of ₹ 838.89 Cr.

Return on Average Equity and Return on Average Total Assets stood at 12.80 % and 1.20 % respectively. Earnings per Share ( face value of ₹ 2 each) of the Bank, as on 31st Mar 2014 was ₹ 9.81 comparable to ₹ 9.80 in the previous year. Book value per share had increased from ₹ 72.95 in FY 13 to ₹ 80.36 during FY 14.

### Operating Profit

The Operating Profit of your Bank had grown as compared to previous year to reach ₹ 1,480.39 Cr

The Net Interest Margin of the Bank for the year stood at 3.32%, despite the interest rate volatility. Net Interest

Income of the Bank for the period increased to ₹ 2,228.61 Cr from ₹ 1,974.66 Cr. During the financial year ended March 2014, the total non-interest income of the Bank grew to ₹ 693.85 Cr.

### Expenditure

The fiscal year ended 2014 witnessed an increase in the total expenses of the Bank which reached ₹ 6,159.53 Cr from ₹ 5377.45 Cr, an increase of 14.54%. Interest expenses increased to ₹ 4,717.46 Cr in FY 14 from ₹ 4,192.91 Cr in FY 13. Operating Expenses of the Bank during the fiscal year grew from ₹ 1184.54 Cr to ₹ 1442.07 Cr. This is mainly due to increase in salary & allowances, expenses related to branches expansion etc.

The cost of deposits of the bank has come down during the year. The cost of deposits is 7.40% as compared to 7.58% in the previous year. Average Cost of all funds (Deposits + Borrowings + Bonds) recorded a marginal decrease and reached 7.56% from 7.67%. The Interest expenses as percentage to total income also increased and stood at 61.75%. The Cost to Income ratio of the Bank stands at 49.34% (44.88% in FY 2013).

In the current fiscal, the CASA to Total deposits of the Bank increased marginally from 26.94% in FY13 to 30.81% in FY14.

### Income

Total income of the Bank during the fiscal year 2014 recorded 11.83 % growth to reach ₹ 7,639.92 Cr from the previous fiscal year figure of ₹ 6,832.01 Cr. The interest income component grew by 12.62% Y-o-Y.

Income from advances increased by 8.10% to reach ₹ 5,011.08 Cr from ₹ 4,635.66 Cr. At the same time, income from investments registered a steep rise to reach ₹ 1,776.83 from ₹ 1,464.60 Cr clocking a 21.32% annual growth.

The yield on advances stood at 11.96% and the yield on Investments at 7.22%. The Net Interest Margin for the fiscal year is at 3.32% as against 3.37%, in the previous year, owing primarily to the lower yield on advances.

Focused attention on streams of fee based income and other income resulted in an increase of 4.43%. The total other income grew to ₹ 693.85 Cr in the current fiscal from ₹ 664.44 Cr in the previous fiscal.



### Spread

During the fiscal year, the Bank's spread on advances (gross) decreased to 4.55% from 4.70% and spread on investments (gross) stood at 0.44% from 0.67%. The Spread (net of provisions) on advance decreased to 4.01% from 4.20% of last year.

### Loan Asset Quality

In the fiscal 2013-14, your Bank consolidated its credit underwriting processes through Hub System which was implemented a few years back. The coordinated efforts of National Credit Hub, credit monitoring cells and the Stressed Assets Management Cell ensured that fresh slippages were reduced to a large extent.

The Bank's Gross NPA and Net NPA stood at 2.46% and 0.74% respectively as at the end of March 2014 as against 3.44% and 0.98%, respectively during 2012-13. The total provisions held against non-performing advances, expressed as a percentage of gross NPAs amounted to 84.16% (including technically written off accounts) at the end of FY 2013-14.

The Bank managed its NPA portfolio prudently, by considering and executing all options viz. SARFAESI, Compromise, Lok Adalat and DRT that offered the best return to the Bank.

### Provision Coverage

As on 31 Mar 2014, the Bank held a total provision of ₹ 721.17 Cr. As per the RBI directive, Banks should hold minimum provision coverage of 70% including technically written off accounts. As on 31 Mar 2014, the provision coverage ratio of the Bank, including written off accounts stood at 84.16%.

### Capital Adequacy

Historically, your Bank has been strong on capital adequacy. CRAR of the Bank calculated in line with Basel III norms stood at 15.14% which is considerably higher than the 9 % stipulated by RBI. Of this, Tier 1 CRAR is at 14.59%.

### Share Value

Earnings Per Share (face value ₹ 2/- each) of your Bank increased from ₹ 9.80 to ₹ 9.81 during the year under review. Return on Equity during the year reached 12.80% in the fiscal year ended 31st March 2014.

### Share Split

The Bank had effected a share split from 19 October, 2013 as approved by the shareholders at the previous Annual General Meeting. Bank's shares of the face value of ₹ 10/- were split into five equity shares of the face value of ₹ 2/- per share. This has resulted in more widespread distribution of equity shares among retail investors.

### Dividend

Continuing the Bank's policy of striking a fine balance between retained earnings and dividend distribution, your Board recommended a dividend of 100% (₹ 2 per equity share of ₹ 2 face value) at par with the previous fiscal. Protecting shareholders' value has always been a guiding philosophy of the Bank.

### FIPB Approval

In 2006, the shareholders of the Bank at their Annual General Meeting had empowered the Board to seek RBI approval for an aggregate foreign shareholding upto 74% of the Paid up Capital of the Bank, with sub limit of 49% for FII's and 24% for NRI's and RBI approval was obtained for the same. Subsequently in April 2013, the Consolidated FDI Policy was amended, whereby the Bank had to obtain approval from Foreign Investment Promotion Board (FIPB) for foreign holding limit up to 74% of the Bank's paid up capital, which had earlier been approved by RBI, as noted above. This approval was obtained from FIPB.

### Increase of Capital

The Authorized Capital of the Bank was increased from ₹ 200 Crore to ₹ 500 Crore during the Financial Year 2013-14 with the approval of shareholders at the Annual General Meeting held on 20th July 2013. The Paid up Capital of the Bank was increased by an amount ₹ 32,250/- by allotment of 16125 ESOS shares of ₹ 2/- each. The Paid up Capital of the Bank as on 31.03.2014 is ₹ 1,710,623,570/- consisting of 855,311,785 shares of ₹ 2/- each.

### Investor Education and Protection Fund

As per the Companies Act, dividend unclaimed for more than seven years from the date of declaration is to be transferred to Investor Education and Protection Fund. On 23.09.2013 the Bank had transferred ₹ 37,30,524/- to the above Fund, being the unclaimed dividend for the year



2006.

### Employee Productivity

Business Per Employee of the Bank during the period stood at ₹ 9.97 Cr and the profit per employee of the Bank stood at ₹ 8.17 Lakh during the fiscal.

### Employee Stock Option Scheme (ESOS)

The Bank has instituted an Employee Stock Option Scheme to enable its employees including whole time Directors to participate in the future growth and financial success of the Bank. Under the Scheme 4,27,58,250 options can be granted to the employees. The employee stock option scheme is in accordance with the Securities and Exchange Board of India (Employee Stock Option and Employee Stock Purchase Scheme) Guidelines, 1999. The eligibility and number of options to be granted to an employee is determined on the basis of various parameters such as salary scale, designation, work performance, grades, period of service, annual fixed pay, Bank's performance and such other parameters as may be decided by the Compensation Committee from time to time in its sole discretion and is approved by the Board of Directors

The Bank's shareholders had approved the scheme for issuance of stock options to employees including whole time Directors on December 24, 2010.

The option conversion price was set to be the closing price on the day previous to the grant date. The compensation committee granted 1,73,60,100 options during the year 2011 -12, 1,22,42,375 options during the year 2012-13 and 130,47,125 options during 2013-14. The options granted which are non transferable, with vesting period of 1,2,3 & 4 years subject to standard vesting conditions, and must be exercised within five years from the date of vesting. As on 31 March 2014, 74,280 options had been exercised and 4,02,23,070 options were in force.

Other statutory disclosures, as required by the SEBI guidelines on ESOP are given in Annexure II to this report.

### Expansion of Network

Your Bank has 1174 branches and 1359 ATMs as on 31st March 2014. The bank had opened additional 71 branches and 187 ATM's during the year to improve its footprint through out the country including un-banked centers as per RBI's guidelines. The Bank had opened

maximum number of branches in the chosen states of Tamilnadu, Punjab, Gujarat, Karnataka and Maharashtra and also Kerala.

### Corporate Social Responsibility

For Federal Bank, Corporate Social Responsibility (CSR) has been an inherited and inbuilt element of its culture from the day the bank was founded.

Fedbank Hormis Memorial Foundation, a public charitable trust instituted by your Bank provides scholarships to the economically needy students for pursuing professional education courses. The Trust also endeavors to impart better knowledge and awareness in the field of banking to the less privileged and rurally far flung, through training programmes, focused seminars, awards and so on.

The Bank runs a customer contact center manned almost entirely by differently abled personnel. The Bank, through its CSR cell lends a helping hand by sponsoring ambulances, computers, dialysis machines, Medical equipments, elevators, by offering free midday meals, supporting environmental and healthcare projects, social cultural and educational programs etc. The cell also engages in community outreach programs related to health, family welfare, environment, education, providing potable water, sanitation and empowerment of women and other marginalized groups.

As part of its employee engagement initiatives your Bank has participated wholeheartedly in promoting and practicing Earth Hour prescriptions, paperless banking, blood donation, adopting small family norms and scores of such initiatives amongst its employees.

The Bank, leveraging its technological advantages, has influenced the lives of the less privileged group such as fishermen, farmers, coolies, construction workers, rickshaw pullers, migrants at their convenience near their homes. The bank through 'Fedjyothi' scheme opens the ICT (Information & Communication Technology) model accounts (which are operated using Biometric Smart Cards and Micro ATM) were door delivered to the far flung and hard-to-reach areas, under its financial inclusion program.

### Awards and accolades

Your Bank has been honoured with the prestigious Golden Peacock Award for HR Excellence for the year 2013. The



award has given us great visibility amongst a global audience and is also recognition for the Bank's efforts in building a favourable environment for individual and team growth. Bank was honoured for its Innovation in Recruitment Strategy and Talent Management at 4th Asia's Best Employer Brand Awards 2013, Singapore. Our Bank was conferred 12th rank among Asia's Best Employers by the Foundation. ABEB Awards recognizes organizations with outstanding HR practices across Asia & South East Asian Countries.

The technological excellence of your bank won several recognitions last year. Fedbook, the innovative E-Passbook had won the prestigious IBA Innovation Award – 2013. The bank won IDRBT 2013 award for Best IT team among small Banks and IDRBT award for Best Mobile Banking among small Banks. The bank also won ACI excellence award 2014 for COMIT and Finnoviti 2014 Award for Virtual Accounting system (VAS)

Your bank is adjudged as the First among Best Managed Companies [MID CAP] in India by the leading Financial Magazine, Finance Asia.

The bank is selected as The "Best Bank among Private Sector Banks" constituted by IPE BFSI ( Institute of Public Enterprises )

The flag ship gold loan product, Apna Gold has won the ACI Excellence Award 2013 for Product Innovation

Your Bank's CSR initiatives had won the CSR Award for 'Most Socially Committed Organization' in Emerging Kerala Business Conclave & Awards 2013 By DC Media & DC Books for its CSR activities.

The Corporate Social Responsibility Committee was formed by the Bank as per the Companies Act, 2013 and a meeting of the Committee was held on 12.04.2014. The Committee consists of Prof. Abraham Koshy as its Chairman and Shri. K M Chandrasekhar and Shri. Shyam Srinivasan as its members.

### Corporate Governance

The Bank has adopted a Code of Corporate Governance which while taking care of and safe guarding the interest of shareholders and all other stakeholders also provides good management, adoption of prudent risk management techniques and compliance with required standards of

capital adequacy. The Code of Corporate Governance was amended with effect from October 19, 2013, with the approval of the Board to keep pace with the changing governance structure and to comply with requirements of Companies Act and other regulations applicable to the Banking sector.

The Code also aims at identifying and recognizing the Board of Directors and the Management of the Bank as the principal instruments through which good corporate governance principles are articulated and implemented, giving utmost importance to identify and recognize transparency, accountability and equality of treatment amongst all the stakeholders, which is in tune with statutory and regulatory structures. A copy of the Code is available on our Bank's website.

### Board of Directors

The composition of the Board of Directors is governed by the Banking Regulation Act, 1949, the Companies Act, Listing Agreement, and the Code of Corporate Governance adopted by the Bank. The Board comprises of ten Directors with rich experience and specialized knowledge in various areas of relevance to the Bank, including banking, accountancy, MSME, finance, small scale industry, agriculture, and information technology.

Shri Shyam Srinivasan, MD & CEO of the Bank was reappointed for a period of three years from 23.09.2013 to 22.09.2016 for which RBI approval was obtained vide letter No.DBOD No.5155/08.38.001/2013-14 dated September 21, 2013. Shri Abraham Chacko was appointed as Executive Director with a seat on the Board of the Bank, at the Board meeting held on 27 April 2013, for a period of two years, for which approval from Reserve Bank of India was obtained vide letter No.DBOD No.2149/08.38.001/2013-14 dated August 08, 2013. Excluding the MD & CEO and the Executive Director, all other members of the Board are Non-Executive and Independent Directors. Declaration has been obtained from the Independent Directors as required under the RBI Regulations, Listing Agreement and Companies Act. The remuneration and other benefits paid to MD & CEO of the Bank and Executive Director are disclosed in Annexure I to this Report and in Corporate Governance report. The Non-Executive Independent Directors apart from Prof. Abraham



Koshy, are paid sitting fees for attending every meeting of the Board/ Committees of the Board within the limits as prescribed under the Companies Act. Prof. Abraham Koshy, Chairman of the Board is paid ₹ 1.25 lakhs per month as honorarium, as approved by the Board and RBI.

CA. Nilesh S Vikamsey and Shri. Suresh Kumar were re-elected/ appointed as Directors of the Bank, at its last Annual General Meeting held on 20th July 2013.

Shri. Shyam Srinivasan, Managing Director & Chief Executive Officer of the Bank is liable to retire at this AGM as per the Companies Act, 2013. As per the requirements of Companies Act, 2013 all the existing Independent Directors of the Bank are hereby appointed in this AGM. Shri. Harish H Engineer, Smt. Grace Elizabeth Koshie and Smt. Shubhalakshmi Panse were appointed as Additional Directors of the Bank, and are being recommended for appointment as Independent Directors in the Eighty Third AGM.

The detailed profile of all the directors recommended for appointment/ re-appointment in this AGM are mentioned in the Notice of Annual General Meeting for the benefit of shareholders as required under law.

Shri. Suresh Kumar, ceased to be member of the Board and also as Chairman of the Board w.e.f 14.11.2013, on completing eight years of service in the Board of the Bank Dr. K. Cherian Varghese resigned from the Board of the Bank on 28.07.2013. Dr.M Y Khan ceases to be a director of the Bank w.e.f 24.06.2014, on completing seventy years of age as per Code of Corporate Governance. The Board places on record their appreciation for the commendable contribution made by Shri Suresh Kumar as a Director and Chairman and by Dr. K. Cherian Varghese and Dr. M Y Khan as Directors, during their tenure in the Bank.

### **Subsidiary**

FedBank Financial Services Ltd. is a fully-owned subsidiary of the Bank. As required under Section 212 of the Companies Act, 1956, the financial statements relating to this company, the sole subsidiary of the Bank, for FY 13-14 are attached.

### **Annual Financial Statements and Audit Report**

As required by Section 212 of the Companies Act, 1956,

the Bank's Balance Sheet as at 31 March 2014, its Profit and Loss account, and the Statutory Auditors' report thereon and statements required under the above section, are attached.

### **Statutory Audit**

M/s. Deloitte Haskins & Sells, Chartered Accountants, Chennai, and M/s. M P Chitale & Co., Chartered Accountants, Mumbai, jointly carried out the statutory central audit of the Bank. The statutory central/ branch auditors audited all the branches and other offices of the Bank.

### **Joint Venture in Life Insurance Business**

The Bank's joint venture Life Insurance Company, in association with IDBI Bank Limited and Fortis Insurance International N.V. (now Aegeas), namely IDBI Fortis Life Insurance Company Limited, renamed as IDBI Federal Life Insurance Company Limited, commenced operations in March 2008. Currently the Bank has a total stake of ₹208 Cr in the equity of the company holding 26% of the equity capital.



## Statutory Disclosure Stock Exchange Information

The Bank's Equity Shares are listed on:

1. BSE Limited, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001.
2. National Stock Exchange Ltd. "Exchange Plaza", Bandra - Kurla Complex Bandra East, Mumbai - 400 051.
3. Cochin Stock Exchange Ltd. MES, Dr. P.K. Abdul Gafoor Memorial Cultural Complex 4th Floor, 36/1565, Judges Avenue, Kaloor, Kochi - 682 017.

The GDRs issued by the Bank are listed on the London Stock Exchange.

The annual listing fees have been paid to all the Stock Exchanges mentioned above.

Through its export-financing operations, the Bank supports and encourages the country's export efforts.

Considering the nature of activities of the Bank, the provisions of Section 217 (1) (e) of the Companies Act, 1956 relating to conservation of energy and technology absorption do not apply to the Bank. The Bank is, however, constantly pursuing its goal of technological upgradation in a cost-effective manner for delivering quality customer service.

### Personnel

As required by the provisions of Section 217 (2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975, as amended, the names and other particulars of the employees are set out in the Annexure to the Directors' Report. (Annexure I)

### Director's Responsibility Statement

As required by section 217 (2AA) of the Companies Act, 1956, the Directors state that:

The Bank has in place a system to ensure compliance of all

laws applicable to the Bank;

In the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;

The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Bank at the end of the financial year and of the profit of the Bank for that period;

The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Bank and for preventing and detecting fraud and other irregularities; and The Directors have prepared the annual accounts on a going concern basis.

### Acknowledgement

The Board of Directors places on record its sincere thanks to the Government of India, Reserve Bank of India, various State Governments and regulatory authorities in India and overseas for their valuable guidance, support and cooperation. The Directors wish to express their gratitude to Investment Banks, rating agencies and Stock Exchanges for their wholehearted support.

The Directors record their sincere gratitude to the Bank's shareholders, esteemed customers and all other well-wishers for their continued patronage. The Directors express their appreciation for the contribution made by every employee of the Bank.

For and on behalf of the Board of Directors

Aluva

Date: 14 June 2014

Prof. Abraham Koshy

Chairman of the Board



**Annexure I**

Name, Qualification and Age ( in years)	Designation	Remuneration ( in Rs)		Experience (in years)	Date of commencement of employment	Last employment
		Gross@	Net#			
Shri. Shyam Srinivasan, B.E., P.G.D.M. (IIM, Kolkata), 52 years	MD & CEO	8499960	7787964	28 years	23rd September 2010	Head (Consumer Banking-India), Standard Chartered Bank
Shri. Abraham Chacko, Post Graduate Diploma in Business Management (XLRI, Jamshedpur), Bachelor in Commerce (Honours) 61 years	Executive Director	7084980	7072980	35 years	21st May 2011	Regional Head of Business Sales/Trade-Asia/Middle East/Central Asia/Africa/ ABN Amro Bank/ RBS
Shri. Ashutosh Khajuria, B.Sc(Physics), LL.B, M.A .(Economics), CAIIB, DTI RM, 54 years	President (Treasury)	6300004	6138004	30 years	16th June 2011	CGM & Head of Treasury, IDBI Bank Limited

# Net of Taxes paid

@ In addition to the above 6,41,375 stock options were granted to Shri. Shyam Srinivasan, MD & CEO, 325,000 stock options were granted to Shri. Abraham Chacko, Executive Director and 2,00,000 stock options were granted to Shri. Ashutosh Khajuria, President (Treasury) @ market rates relevant on the date of grant.

+ Though the Board had offered 25,65,500 shares of ₹ 2/- each as ESOS to Shri. Shyam Srinivasan, he decided to accept only one fourth of the shares offered and gave back the rest into the ESOS pool to be distributed to the employees.



## Annexure II

Sl. no.	Particulars#	ESOP 2010 Granted On April 09,2011	ESOP 2010 Granted On June 02,2011	ESOP 2010 Granted On June 16,2011	ESOP 2010 Granted On Nov 05,2012	ESOP 2010 Granted On Sept 12,2013
1	No. of options Granted	16560100	500000	300,000	12242375	13047125
2	No. of options issued	Nil	Nil	Nil	Nil	Nil
3	Pricing Formula	The exercise price considered is the closing market price as on the day preceding the date of the grant, at the stock exchange which has had the maximum trading volume of the Bank's share.				
4	No. of options vested	42827917	375,000	200,000	3060594	Nil
5	No. of Options exercised	74280	Nil	Nil	Nil	Nil
6	No. of shares arising as a result of exercise of Options	74280	Nil	Nil	Nil	Nil
7	Options lapsed	2352250	Nil	Nil	1547765	1647500
8	Variation in terms of Options	Nil	Nil	Nil	Nil	Nil
9	Money realized by exercise of options	4924830.15	Nil	Nil	Nil	Nil
10	Total Number of Options in force	14133570	500000	300000	12242375	13047125
11	Employee wise details of Options granted to					
	a) Senior Managerial Personnel i.e MD & CEO	2565500	-	-	641375	641375
	ED I	50,625	-	-	75,000	-
	ED II	-	500000	-	325,000	325,000
	b) Any other employee who receives a grant in any one year of Options amounting to 5% or more of the options granted during the year	Nil	Nil	Nil	Nil	Nil
	c) Identified employees who were granted options, during any one year equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant.	Nil	Nil	Nil	Nil	Nil
12	Diluted Earnings Per Share (EPS) of the Bank after considering the effect of potential equity shares on account of exercise of Options	₹ 9.51 per share				



Sl. no.	Particulars#	ESOP 2010 Granted On April 09,2011	ESOP 2010 Granted On June 02,2011	ESOP 2010 Granted On June 16,2011	ESOP 2010 Granted On Nov 05,2012	ESOP 2010 Granted On Sept 12,2013
13	Impact of the difference between the Intrinsic Value of the Options and the Fair Value of the Options on Profits and on EPS	Had the Bank adopted the fair value method (based on Black-Scholes pricing method) for pricing and accounting options, Net profit after tax would have been lower by ₹ 2003.02 lacs for FY 2013-14				
		Basic EPS – ₹ 9.57 per share				
		Diluted EPS – ₹ 9.51 per share				
14	Weighted average exercise prices of options					
	i. whose exercise price equal to market price	₹ 61.70				
	ii. Exercise price is greater than Market price	Nil				
	iii. Exercise price is greater than Market price	Nil				
	Weighted average fair value of options					
	i. whose exercise price equal to market price	₹ 22.74				
	ii. Exercise price is greater than Market price	Nil				
	iii. Exercise price is greater than Market price	Nil				
15	The Securities and Exchange Board of India ('SEBI') has prescribed two methods to account for stock grants; (i) the intrinsic value method; (ii) the fair value method. The Bank adopts the intrinsic value method to account for the stock options it grants to the employees. The Bank also calculates the fair value of options at the time of grant, using Black-Scholes pricing model with the following assumptions:					
	i. Risk Free interest rate	7.50%	8.25%	8.25%	8.00%	8.50%
	ii. Expected life	3 years to 4.5 years	3 years to 4 years	3 years to 4.5 years	3 years to 4.5 years	3 years to 4.5 years
	iii. Expected volatility	20%	20%	20%	20%	50%
	iv. Expected Dividends	1.50%	1.50%	1.50%	1.50%	2.00%
	v. The price of the underlying share in market at the time of grant of option (in ₹.)	84.69	89.94	90.93	94.80	57.25

# all the option numbers mentioned in the Annexure are of face value of ₹ 2/- each.



# You Dream It, We Can Do It.

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## Empowering the entrepreneur

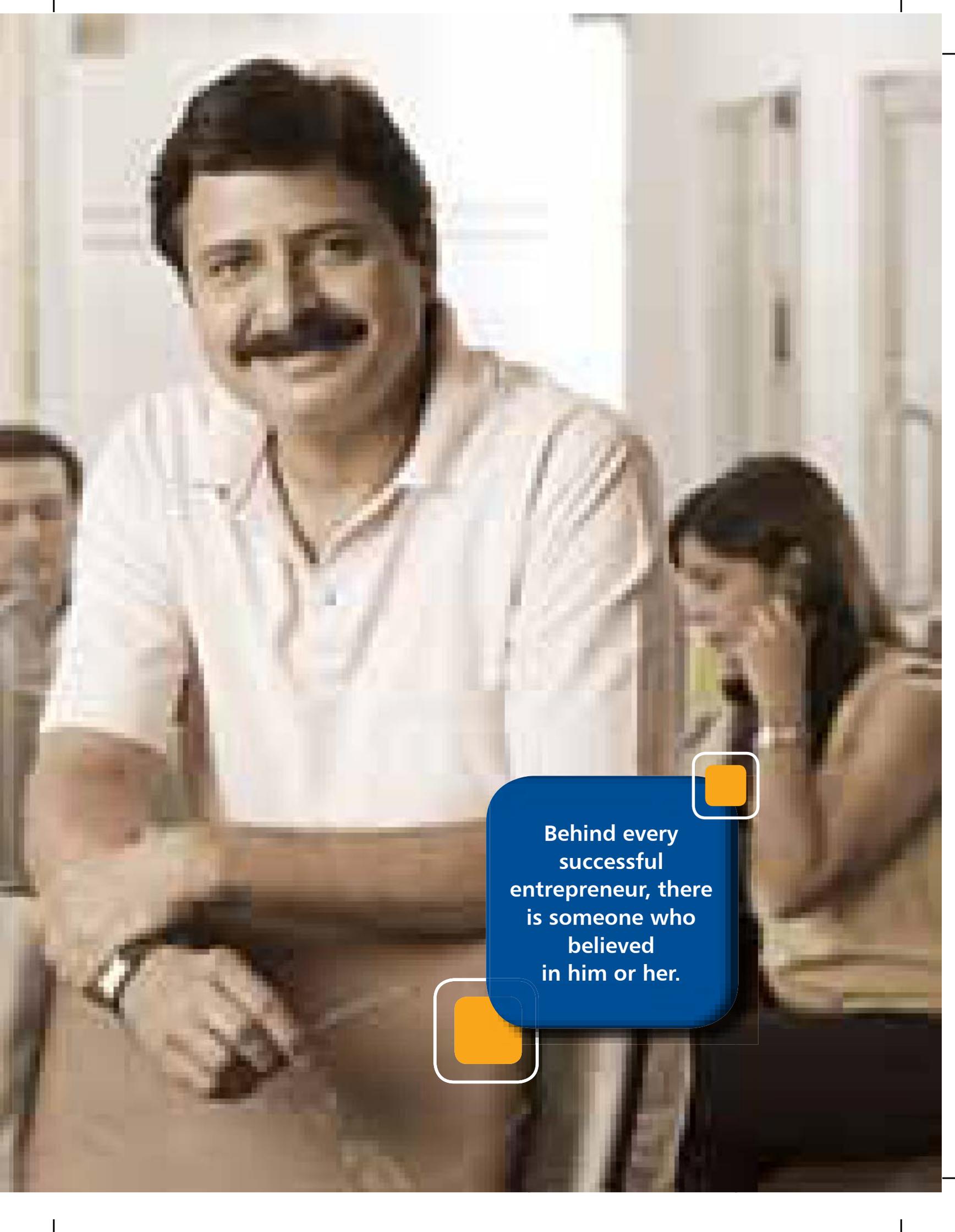
An entrepreneur is a fledgling bird who needs oodles of tender loving care. At Federal Bank, we have realized the importance of entrepreneurship and have devoted considerable energy and resources towards Small and Medium Enterprises. Our commitment towards them is rocksolid and our empathy for their needs is deep rooted. We have always stood by them through thick and thin, as they venture into the choppy deep blue sea of business. Our slew of tailor made products and services have always remained as a bulwark of support for them.

- 
- ▶ Dealer Financing arrangement with major players in the market.
  - ▶ Tailor made product and services bouquet to satisfy the requirements of different business lines.
  - ▶ Participation and contribution in major events organized by Government and Non-government bodies. Partnered Government of Kerala for the conduct of Grand Kerala shopping festival 2013, the biggest shopping festival in the state of Kerala.
  - ▶ Facility to apply for MSME loan online.
  - ▶ Hassle free Export credit on easy terms.

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Your Bank is a strong believer in the power of entrepreneurial India and will continue to support the SME segment in its journey forward.





Behind every  
successful  
entrepreneur, there  
is someone who  
believed  
in him or her.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Global Economic Scenario:

The economic slowdown bottomed out last year. A spell of global financial turbulence caused capital outflows and pressure on the exchange rate, but strong policy measures stabilized the currency, rebuilt reserves, and narrowed the excessive current account deficit. Weaknesses remain, however, and include persistent inflation, fiscal imbalances, bottlenecks to investment, and inefficiencies that require structural reforms. Global activity strengthened during the second half of 2013, as anticipated in the October 2013 World Economic Outlook (notwithstanding some temporary weakening in Jul-Sept, 2013 in Japan & the Euro Area). Growth in the United States is expected to be 2.8% in 2014, up from 1.9% in 2013 and in sum global growth is now projected to be slightly higher in 2014, at around 3.7%. In emerging market economies, growth momentum has been supported by a rebound in Chinese GDP growth in Jul-Sept, 2013 and generally easier external financing conditions.

Since early Sept, 2013, capital flows to emerging market economies are recovering from their summer lows, but the tightening in funding conditions will likely continue to weigh on growth in some countries as banks are increasing lending standards. So far as emerging markets are concerned, risks related to the phasing out of easy US monetary policy (& the uncertainty surrounding it) remain substantial with significant impacts on capital flows to these markets. In particular, India and Indonesia would most directly be affected by a further deterioration in external financing conditions on the back of rising U.S. interest rate.

### Indian Scenario:

Fiscal year 2013 has been tumultuous for India. For the first time in a decade, Asia's second largest economy grew 4.5% in the year ended 31st March, seventh consecutive quarter of sub 5% growth. The marginal pickup in headline GDP growth masks underlying weakness in the economy as it was due to stronger agriculture.

Unfortunately, growth is not India's only challenge. The

economy is burdened with persistently high inflation, rising fiscal deficit, and excessive imbalance in its current account, exposing internal challenges that are affecting investors' confidence in the economy's ability to grow. Political challenges have created more confusion and skepticism. Global economic uncertainties are aggravating India's internal troubles. India was among the worst hit of the emerging economies whose currency, stock, and bond markets experienced extreme volatility this past summer due to the US Federal Reserve's (Fed's) tapering signal. Its currency depreciated more than 20 percent, while stock markets fell 10 percent during May-September 2013 because of heavy capital outflows.

Various measures undertaken by the Reserve Bank since September 2013 augured well for the resumption of capital inflows in subsequent months. The Reserve Bank's swap windows for banks' mobilisation of fresh FCNR(B) deposits and overseas borrowing helped to build up reserves during September-November 2013. With the revival of portfolio flows since December 2013, India's forex reserves reached US\$ 298.6 billion as on March 21, 2014. Imports continued to contract for the ninth successive month, with a sixth straight month of double digit decline. The decline in imports was primarily due to sharp moderation in gold imports since July 2013. As a result, CAD has come down during the last quarter and the volatility in the Indian rupee began to subside. The rupee fared better than most of other emerging market currencies by the end of the financial year.

### Indian Banking Industry:

Over the past couple of years, the Indian banking sector has displayed a high level of resiliency in the face of high domestic inflation, rupee depreciation and fiscal uncertainty in the US and Europe. Industrial slowdown and sticky consumer price inflation created a hostile environment for the country's banking sector in 2013. Rising non-performing Assets continued to be the major concern for the Indian Banking Industry during FY 2013-14. The cost of servicing debt went up resulting in an



increase in bad loans in the rate sensitive sectors and as a result, the profitability also suffered.

With the adoption of technology, the Indian banking sector has undergone significant transformation from local branch banking to anywhere-anytime banking. Over the past couple of years, there has been huge growth registered in the number of transactions done through mobile devices. Amidst this economic scenario, the key challenge for the Indian banking system continues in improving their operational efficiency and implement prudent risk management practices. However, the outlook for the Indian banking sector is stable backed by considerably sound financial position of its banks.

#### **Review of Bank's Business Performance:**

During FY 2013-14, your Bank confidently navigated macro-economic headwinds and recorded growth with improved asset quality, supported by strong operating efficiencies.

Improved back-end processes and risk management systems to tackle asset quality issues, yielded results with slippages in SME and retail segment continuously trending down. Corporate slippages in last three quarters were contained, and reported NPA dropped sharply. The bank had stepped up on growth plan without sacrificing on quality.

The Bank's CASA registered good growth and the retail deposit forms 95% of the total deposit of the bank. The Bank's SME segment has grown by 37% during the year. The bank's focus on building granularity continues to be on track with corporate advances now forming 32% of total advances. The Net Worth of the Bank increased to ₹ 6873.30 Cr as on 31.3.2014. The Capital Adequacy ratio (CRAR) of the Bank, computed as per Basel III guidelines, stands at a very comfortable level of 15.14% as on 31.3.2014.

The Bank posted a net profit of ₹ 838.89 Crore for the year ended March 31, 2014. Total income for the year grew by 11.83% to ₹ 7639.92 Crore and Other Income grew by 4.43% to ₹ 693.85 Crore. Net Interest Margin (NIM) of the

bank stood at 3.32%

The total Deposits of the bank increased by 3.67% to ₹ 59731.28 Cr and advances of the Bank stood at ₹ 43436.10 Cr. CASA of your bank increased by 18.57% from ₹ 15519 Cr to ₹ 18401 Cr. The NRI business of the Bank witnessed robust overall growth of 35% to reach ₹ 20663 Cr on 31st March 2014. In advance front, SME has grown from ₹ 8119 Cr to ₹ 11021 Cr showing a growth of 37%.

Return on Average Assets stood at 1.20% and return on Equity of the bank is 12.80% during the year 2013-14 Capital Adequacy Ratio as per Basel III of your bank stood at 15.14%.

With good recovery and arresting slippages the bank is able to reduce Gross NPA by 30.03% to ₹ 1087.41 Cr from ₹ 1554.01 Cr. Net NPA reduced by 25.55% to ₹ 321.56 Cr from ₹ 431.94 Cr. In percentage terms, Gross NPAs fell from 3.44% to 2.46% (fall of 98 bps), while Net NPAs fell from 0.98% to 0.74% (fall of 24 bps). PCR (Provision Coverage Ratio) including written off assets increased sequentially from 83.29% to 84.16%.

The Bank continued to expand its footprint and added 71 branches and 187 ATMs during the year to take the tally to 1174 branches and 1359 ATMs as at March 31, 2014.

#### **Agriculture:**

Your bank has been in the process of taking agricultural credit portfolio to greater dimension by adopting various strategies aligning with the policies of Government, RBI and NABARD. The agriculture portfolio of the bank witnessed a growth of 9.3% from ₹ 4703 crores to ₹ 5139 crores in the financial year 2013-14 marking an achievement of 11.37% of ANBC and is poised for better growth in the succeeding year.

Your bank has become the first private sector bank in the country to introduce interest subvention scheme for short term crop loans. Added thrust given by the Govt for Agriculture, gives us opportunity for increased lending to godowns, cold storages & ware house receipt loans, plantation sector, animal husbandry, Hitech farming, Kisan



Credit Cards etc, thereby helping us meet the stipulated target of 18% of ANBC.

Your bank has conducted various customer engagement programmes such as planters' meet, seminars and exhibitions at various corners of the country wherever our presence is sufficient to meet the growing demand. The 'Farmers' Day' was celebrated by all the branches in Kerala and veteran and renowned farmers were felicitated.

The Bank's endeavor has been to grow beyond the State of Kerala and with an increased foot print across other states such as Punjab, Maharashtra, Tamil Nadu, Gujarat and Karnataka. Your bank has deployed more number of technically qualified officers in these states to accelerate lending towards agriculture. The region based lending policies for each of the identified emerging agri markets outside the home state have been formulated based on the field level studies conducted at the grass root level.

#### **Credit Monitoring:**

In order to develop a system of more focused attention for continuous monitoring of loans and advances, a new Department named Credit Monitoring Department started functioning at Bank's Head Office in May 2013 with the sole objective of streamlining end to end monitoring of the credit portfolio and for maintaining credit quality through properly defined systems, procedures and practices. For direct and regular monitoring of large value exposures, Credit Monitoring Department has a separate wing functioning on the floor of Large Corporate Department in Mumbai. Credit Monitoring Department has evolved a structured process which is being implemented across the Bank with the help of Zonal Credit Monitoring Cells established in all the 9 Zonal Offices, through proactive and corrective actions aimed at controlling and mitigating credit risk.

End to end health monitoring of loans and advances, review of standard assets, tracking of Working Capital limit renewals, review of credit rating of loans, monitoring of Special Mention Accounts as per regulatory prescriptions, supervision of retail loan collections by external agencies, managing updation central registry for mortgages, etc are some of the major functions undertaken by Credit

Monitoring Department.

The ultimate goal of Credit Monitoring Department is to prevent slippage of loans and advances to non performing status by detecting early warning signals and by adopting timely corrective steps to safeguard and maintain the asset quality.

#### **Compliance:**

A separate and independent division, viz. Compliance Division is functioning in the bank to ensure the existence and practice of a high level of compliance across the Bank. We have formulated a well defined Compliance Policy to make compliance function adequately enabled, strengthened and independent and to ensure the effective monitoring and co-ordination of the compliance functions in your bank. The Compliance Manual which contains the compliance functions of each and every unit in the bank is being modified as and when required. We have well laid-down procedures and online mechanisms to monitor compliance functions. In all branches/offices, Compliance Monitoring Officers have been nominated to monitor the compliance functions. The Compliance Monitoring Officers posted in the zonal offices are duty bound to develop a robust compliance culture in the zone and they are conducting compliance testing at the branches under the zone to ensure strict adherence to statutory/regulatory directives and internal guidelines. We are focusing on employee education through circulars, workshops and frequent contacts to sensitize them of the need for a strong compliance culture and also striving to develop a robust compliance culture in the bank.

#### **Corporate Services Department:**

Your Bank always is keen on customer convenience and has been acquiring premises on the ground floor for new branches as well as shifting branches that are presently housed on first floor. The Bank has taken steps to refurbish its branches with central air conditioning to provide best in class banking experience to its customers. With key focus on best customer service coupled with safety of your valuable assets, branches are furnished in a new, standardized design with spacious customer lobby. Your Bank is always in the lead to adopt necessary security



measures for branches and ensures that the branches are under proper surveillance. Making your life simpler, Your Bank has opened sizable number of ATMs covering major centers across India.

### Corporate Planning:

Your bank has a full-fledged Corporate Planning Department taking care of planning, budgeting, Monitoring, Business Analytics, Cost Management and MIS. As a step towards increasing material presence in the country, the bank opened 71 new branches in FY 13-14 taking the tally of branches to 1174. 67% of the newly opened branches were opened in semi-urban and rural area where there is a lot of untapped potential. The bank could successfully realign the branch structure to bring a positive change in its sales and operations at the branch level.

Information dissemination is always a challenge for any organization. Your bank launched a weekly internal magazine "Federal Digest" incorporating latest changes in the policies and procedures within the bank.

Analytics wing was structured 2 years ago in the bank, with an aim to leverage the unidentified potential residing in our huge information base, derive dependable insights from this data, and thereby contribute to the business growth of bank. Analytics is able to change the overall outlook of the business view; from footprint expansion, to product viability, employee estimate, collection efficiency, Delinquency Prediction, customer profitability and risk mitigation & pricing. Many reports were provided/used by Analytics for the progress of the Bank both in Business as well as in Profit, like the Revenue Point Index System (RPI).

Accurate data is a sine qua non for improving the quality of MIS in any organization and thus forms the backbone of an effective Decision Support System. Towards this, a data quality management cell has been formed which is dedicated to data cleaning.

It is always a challenge to bring out good results in tough macro-economic conditions. The bank launched an all inclusive program captioned Jeet2Win within the bank to bring out the best performance.

As a step towards identifying revenue leakages and controlling the controllable expenditure, a cost

management cell was formed in the bank. Initiatives carried out by the cell helped to keep costs within a reasonable level.

### Financial Inclusion:

Your Bank has opened 60 Rural branches in Kerala, Tamil Nadu, Gujarat, Karnataka, Maharashtra, Uttar Pradesh and Madhya Pradesh. These branches actively partner in augmenting rural income and improving livelihood by providing micro credit to the villagers to engage in agriculture and productive activities and also by encouraging the activities of Self Help Groups and farmers' clubs.

Your bank as part of its mission to reach out to those who are deprived of banking services in the under banked/unbanked villages has successfully implemented biometric smart card and Micro ATM based FEDJYOTHI project in Kerala, Maharashtra, Chhattisgarh, Tamil Nadu, Karnataka and has delivered banking services through Business Correspondents.

Your Bank has launched the facility for customers to link their account number to Aadhaar, open accounts with the Aadhaar letter/card as the proof of identity and address and link accounts to Aadhaar with the E-Aadhaar. Your Bank has launched the NPCI~UIDAI Aadhaar Payment Bridge platform for receiving cooking gas and similar subsidies and also all government benefits such as scholarships, old age pensions, etc to the Aadhaar linked accounts.

The Bank played a key role in the ambitious Direct Benefit Transfer programme (DBT) and Direct Benefit Transfer LPG programme (DBTL) launched by the Government of India in 220 districts in India respectively by conducting surveys, household visits, opening accounts, ensuring at least one account for all financially excluded households and linking of accounts to Aadhaar in the service area wards of our branches in these districts. Thus government benefits under government schemes such as old age pension, MNREGA, scholarships, etc and cooking gas subsidy had been credited seamlessly to the customer accounts. We linked 10.26 Lakh accounts to Aadhaar.

The Bank entered into Memorandum of Understanding (MOU) with CSC E-Governance Private Limited (CSC),



a Special Purpose Vehicle of Government of India and appointed CSC as the Corporate Business Correspondent. Aadhaar enabled branchless banking sub service area project has been launched with a one day workshop in 4 locations in Kerala- Thiruvananthapuram, Kottayam, Ernakulam and Kozhikode covering 150 Sub Service Areas allotted to bank in Kerala. The Village Level Entrepreneurs of Akshaya (State IT mission) in Kerala are the business correspondents of Federal Bank in this endeavor.

With an aim to educate the public in rural/semi-urban and urban areas on financial literacy, intelligent borrowing and to prevent the bank has setup 3 Federal Ashwas Financial Literacy Centres outside Kerala in Tamil Nadu, Maharashtra and Gujarat. With 19 centres in Kerala, bank has setup 22 Financial Literacy Centres pan India.

In a mission to “catch them young”, your bank has embarked upon an initiative to impart financial literacy to school students through our rural and semi-urban branches taking the reach to 148 schools and 56,000 students. The students in the age group of 12-18 are taught the basics of banking and various financial services through power point presentations, printed comics, role plays, interactions, bank visits, quiz, etc., by our experienced bank officials.

#### **Foreign Exchange Business:**

Your Bank undertakes all types of foreign exchange business. As on 31st March 2014, the Bank had two ‘A’ category branches and seventy eight (78) ‘B’ category branches for handling foreign exchange business. Swift connectivity has been extended to the designated branches to facilitate faster and reliable communication with major banks all over the world.

Export credit facilities are provided both in rupee and in foreign currency for pre-shipment and post-shipment activities of the exporters. Credit facilities are extended for export of cashew, sea foods, garments, minerals, coir, spices, other food products, leather, rubber, pharmaceutical products, gems and jewellery among others.

Credit facilities are extended to import goods including chemicals, timber, raw cashew nuts, paper and electronic items, machinery etc.. Your Bank arranges Buyer’s Credit

from overseas banks for import customers at competitive rates.

The Bank conducted regular one-on-one meetings with exporters / importers to assess the financial position of the units, support additional credit requirements and to strengthen the relationship. Updates on forex market movements are sent to clients on a regular basis.

The Bank has been giving much thrust to the development of forex business and is continuously endeavouring to improve the operating skills of the personnel through meetings, interactions and training programmes. This enabled the designated branches to improve their operating efficiency substantially. The Bank is also in the process of centralising the forex functions to two centres at Aluva and Mumbai in a phased manner to extend timely and efficient service to forex clients and improve effectiveness of the designated branches. Issuance of Import LCs, guarantees, realisation of import bills under LC and outward remittances of Kerala branches have already been centralised. The Bank periodically updates and codifies the RBI/FEDAI instructions applicable for forex business, in the form of comprehensive guidelines/circulars for the benefit of customers and operating staff.

The Bank continues to be on the Managing Committee of FEDAI representing private sector banks and is also a member of the Technical committees on Trade and Remittances and Forex Markets and Policies.

Your Bank has a Forex Cell attached to Treasury Department at Mumbai catering to all the requirements of the branches. Your Bank has published a Citizen Charter for forex facilities and publishes the exchange rate of various currencies on a daily basis on the bank’s website for the benefit of the public.

#### **Integrated Treasury Operations:**

Your Bank’s Integrated Treasury Operations, involve maintenance of Statutory Reserve requirements, Balance Sheet Management, trading in Money Market, Bonds and Debentures, Equity and Foreign Exchange. The Bank has established dedicated and full-fledged dealing desks for various segments like Foreign Exchange, Interbank



and Merchant Trading, Currency Futures, Money Market, Government Securities, Bonds and Debentures, Certificates of Deposit, Commercial Paper, Interest Rate Swaps and Equity in the Bank's dealing room in Mumbai.

The Bank has commenced trading actively in Currency Futures in all the approved exchanges. Our capabilities in this area have been augmented at the trading desk level so as to capture all trading opportunities. The Bank has revamped the Interest Rate Swaps (IRS) desk which trades in IRS for proprietary as well as balance sheet hedging purposes. During the fiscal 2014 your Bank held seminars, workshops and interactive sessions for exporters, importers and gilt account clients. A separate marketing team has been formed at Treasury Department level for marketing various treasury products across the country.

The Bank raises resources in bulk through Certificates of Deposit, for which the Bank has the highest rating of A1+ by CRISIL. The Bank is using various trading platforms like Reuters, D2, FX Clear, BARX, AUTOBAHN, 360T, Citi Velocity and COMMERZ in the dealing room for a better and streamlined trading activity in forex.

The Bank is represented on FIMMDA Board by virtue of the Head of Treasury being one of the twelve Directors of FIMMDA.

### Human Resources:

Your Bank is on the path of becoming the Best Employer in the industry and to be one of the best places to work in. The commitment and dedication of the team makes it stand apart among its peer group. Bank is into implementing many employee friendly activities and engagements during the year. Focus is given to streamline the Performance Management System, create new channels of learning, identify engagement levels and start a competency management model that will help us transform our HR practices to support contemporary organization requirements.

### HR Structuring:

HR Department structure was suitably organized to meet

the objectives such as creating a framework to support the employees, motivate them and to conduct group activities that create better synergy and to provide senior HR leadership support at newly constituted networks. The total Human Capital of the Bank has increased to 10,467 after induction of 1,014 new entrants in various positions during the financial year. The average age of employees of your Bank is 38 years. The current male female ratio of the Bank is 65:35.

### Manpower Management:

Manpower planning exercises were conducted across the organisation in a professional manner in collaboration with field level functionaries. A consultative process between the HR Department and the Business departments has ensured that appropriate decisions are taken with regard to placement of the most valuable resource of the Bank.

### Performance Management System:

To assess employee performance and to foster employee growth and development, a Performance Management System has been introduced. The FedPMS online platform was launched to make the process easier and more effective.

### Communication:

Effective communication programs were devised for the fiscal which included strengthening HR through the zones. During the FY 2013-14, Bodhi – 'Train the Trainer Programme' was conducted for selected Executives across the Bank. Bodhi aims at sharing the experience of managers in different facets of the HR Management, and inculcate leadership and responsibility in them. Suggestions from the programme formed the base to redesign the established HR policies and programmes. Federal Reach, the in-house magazine, could release quarterly editions during the year with wide participation of the employees and their family members.

### Business Linkage:

HR Department discusses and negotiates with business heads of respective zones during the Business Budgeting process to finalise the manpower requirement at the respective zones. This helps the bank to align the manpower strategy with business strategy and productivity.



### Learning & Development:

Bank has followed the approved Training Calendar for the Fiscal 2013-14 with required modification based on business requirements. HR – Talent Development & Training (HR–TD&T) has rolled out a series of training sessions till 31 March 2014, which included 120 programmes wherein 3660 employees were trained and 105 programmes conducted by various outside training centres of repute wherein 232 employees were trained. Bank has conducted 14 Credit Management Programmes, 17 Sales & Marketing programmes and 16 Refresher Programmes during FY 13-14. 843 new Officers/Clerks were given introduction training during FY 13-14. To supplement subject experts over and above FKDC faculty, Bank sourced the support of subject experts from various Departments and also solicited the support of various training centres including CRISIL, Talentsprint, IFBI etc.

Bank has implemented a 70:20:10 learning model titled Project Prajna to cover the probationers in the Bank. As part of the learning plan, projects that are current and relevant to our business context are assigned to a team of Probationers and they are asked to submit a project report within a specified time frame. The objective of this exercise is to provide platform for self learning and to involve the younger brigade in the development process of the Bank. As part of strengthening our Sales capability, Bank imparts Sales Training to all the Relationship Officers posted at various Zones.

Through Fed-Campus, the E-learning platform, Bank could popularise and conduct 100 Online Quizzes. All the Assessment Tests conducted at FKDC during the training programmes were made online from FY 2013-14. Federal Manipal School of Banking students undergoing internship at Manipal School of Banking, Bangalore are also assessed with the help of FedCampus platform. M/s. TV Rao Learning Systems was engaged to conduct an assessment study to help improve the Performance Management System. To inculcate the learning habit as well as to groom new recruits your Bank started a system of learning for probationers, in the form of Periodic Assessment.

### Employee Engagement:

Your Bank organized Sangam Sports Meet across various

regions which could bring high energy levels across the organization. With an objective to sharpen the leadership skills and oratory proficiency, Toastmasters International Club has been facilitated in the Bank with 3 Clubs, two in Corporate Office and one at Zonal Office, Mumbai. A personality development programme for the children of employees of the Bank titled SPARSH, was conducted.

### Employee and Industrial Relations:

The industrial relations climate in the Bank during the fiscal stayed amicable and issues were addressed and resolved through mutual discussions. The implementation of progressive staff accountability started showing results through the creation of a positive environment facilitating growth and development within the compliance framework.

### Administration & Welfare:

Bank introduced Creche facility for the kids of employees at Aluva, which will be made available at selected centres also. Canteen facility has been made available at Corporate Office, Aluva which also will be made available at other locations.

Bank has plans to conduct Retirees' Meet through the zones beginning from the first quarter of the fiscal 2014-15. On the same occasion, it is proposed to launch a web-link for retirees in the Bank's corporate website, which will help and guide the retired Federals in various post retirement requirements. A pension book with the service/pension details is also proposed to be supplied to all retired pension opted employees.

### Awards & Accolades:

Your Bank has been honoured with the prestigious Golden Peacock Award for HR Excellence for the year 2013. The award was presented in a glittering ceremony held at London. The award has given your Bank great visibility amongst a global audience and is also a glittering recognition for the Bank's efforts in building a favorable environment for individual and team growth.

Bank was honored for its Innovation in Recruitment Strategy and Talent Management at 4th Asia's Best Employer Brand Awards (ABEB) 2013, Singapore. Our Bank was conferred 12th rank among Asia's Best Employers by the Foundation.



ABEB Awards recognizes organizations with outstanding HR practices across Asia & South East Asian Countries.

### Annual Report of the internal Complaints committee:

Annual Report of the Internal Complaints Committee submitted U/s 21r/w Rule 14 of the Sexual Harassment of women at workplace (Prevention, Prohibition and Redressal) Act, 2013, by the following data.

a.	No. of Complaints received in the year 2013-14	01
b.	No. of Complaints disposed off during the year 2013-14	01
c.	No. of Cases pending for more than 90 days	Nil
d.	No. of workshops / awareness programme against sexual harassment carried out - One counseling workshop conducted.	
e.	Nature of action taken by the employer/ Distric Officer - As per the recommendations of the committee punishment was imposed on the respondent/erring employee	

### International Banking:

During FY 14, NRI business of your Bank witnessed robust overall growth of 35%. Total NRI deposits of the bank stood at ₹ 20659 Cr on 31st March 2014. The NR CASA grew by 23%. The number of NRI Relationship Managers in Network II was increased to give more focus on NRI business outside Kerala. The Abu Dhabi Representative Office and the officers in GCC countries continue to be our main force in bringing new NRI customers to our fold. Your Bank added a new recurring deposit product, viz. Fed Flexi Smart Saver RD, to the NR Product range to be a perfect partner to the successful Millionaire FSF scheme.

In FY 14, your bank added Rupee Drawing Arrangements (RDA) with 8 more Exchange Houses; 5 in GCC, 2 in UK and one in USA. Arrangements are in final stage for launching 4 more RDAs from countries like USA, UK, Canada & Australia. Apart from the RDAs, your Bank has remittance tie ups with Western Union, Xpress Money, Transfast, Visa

Money Transfer, Moneygram, Remit2India, Samba Bank & Arab National Bank.

Your bank introduced 2 new real time remittance modes with added security features during the year, viz. SWIFT Flash in association with Al Rajhi Bank and Federal Express Remittance. 8 Exchange houses started using Federal Express Remittance. 20 Exchange Houses are using Fedfast Plus, another real time remittance option. 12 more Exchange Houses are in the process of migrating to this platform.

### Integrated Risk Management Department:

An independent risk governance structure, in line with best practices in the industry, has been put in place in the Bank for risk management. Board of Directors approves the risk policies and strategies to establish an integrated risk management framework and control system in the Bank. Risk Management Committee (RMC) of the Board oversees management of various risks implicit in business, systems and processes. Three Executive level committees, the Credit Risk Management Committee (CRMC), Asset Liability Management Committee (ALCO) and Operational Risk Management Committee (ORMC) ensure effective implementation of risk policies of credit, market and operational risks respectively. Risk management framework is subjected to review and upgradation on an ongoing basis, in tune with Regulatory guidelines and leading industry practices. Integrated risk management department headed by a General Manager cum Chief Risk Officer coordinates various risk management functions of your bank.

### Credit Risk Management:

The Bank has policies, processes and systems in place, designed in accordance with regulatory guidelines, to identify, measure, monitor and manage credit risk in its Retail, SME and Corporate Business and Investment operations. Appropriate credit approval processes, risk mitigation, post-disbursement monitoring and timely remedial actions are part of credit risk management. Loan Policy of the Bank contains operational guidelines documenting the lending philosophy of the Bank, articulating management of diversified credit portfolio, and various aspects of credit dispensation and credit administration. Segment wise and



borrower category wise exposure limits fixed by the Bank take care of the issue of risk concentration. The Bank is using credit risk rating models, developed for each major loan segments, for the credit risk rating of borrowers. The rating models are subjected to periodic review and testing. Migration studies and default rate analysis based on the credit risk rating provide input for policy decisions on credit flow, pricing and monitoring of credit portfolios. Credit risk management in the Bank, through its various policies, risk assessing tools and risk mitigating measures ensures robust credit growth with superior asset quality.

#### **Market Risk Management:**

The Bank has a well developed framework, comprising Board approved policies and established practices, for management of market risk. Various tools like stress testing, duration, modified duration, VaR, etc are used to measure and control interest rate risk, liquidity risk and other market related risks. Bank has established an independent on site Mid-Office in Treasury Department, reporting directly to the Head of the Risk Department. The Mid-Office scrutinizes the treasury deals and transactions from the point of view of market risk management. Detailed policies are put in place for the conduct of business exposed to market risk and also for effective management of all market risk exposures. The policies and practices also take care of monitoring and controlling of liquidity risk arising out of its banking and trading book operations.

Asset Liability Management of the Bank in respect of all assets and liabilities is carried out on a daily basis to eliminate the possibility of any risk eventuality in this area. Base Rate and interest spreads are fixed after careful analysis of market rates and trends, costs and risk premiums.

#### **Operational Risk Management:**

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. The Bank identifies and assesses operational risk by analysing historical loss data, Risk and Control Self Assessment (RCSA) surveys, etc. All new schemes/products of the Bank are subject to compulsory risk assessment from the point of view of operational risk, before implementation.

#### **Compliance with Basel framework:**

As per the prudential guidelines issued by Reserve Bank of India, the Bank has migrated from Basel I norms to Basel II norms as on 31 March 2009 and Capital Adequacy Ratio is arrived at under the New Capital Adequacy Framework (NCAF). From 1st April 2013, Bank computes the Capital Adequacy Ratio as per Basel III norms on a quarterly basis. The Bank uses Standardized Approach for credit risk, Basic Indicator Approach for operational risk and Standard Duration Approach in respect of market risk for computation of capital charge under Basel guidelines. Bank is gearing up with data build up and system requirements for migrating to Advanced Approaches at the earliest opportunity.

RBI guidelines on Basel III demand building capital and liquidity buffers in phases from 2013 and seek to enhance the minimum core capital, introduce a capital conservation buffer, and prescribe a countercyclical buffer. Bank has complied with the guidelines for regulatory capital under Basel III norms and is fully prepared for moving on to the complete Basel III compliance as per the implementation schedule prescribed by RBI.

#### **Capital Adequacy Ratio:**

Capital Adequacy Ratio of the Bank as on 31/03/2014 under Basel III norms stands at 15.14%. The Bank's comfortable common equity capital level offers good cushion for further expansion and growth in asset portfolio and compliance with the requirements of Basel III norms.

#### **Capital Management Framework:**

Capital management philosophy of the Bank is to



operate with an optimum level of capital in relation to its internal risk profile and extant regulatory guidelines, that permits utilization of the existing and emerging market opportunities and ensure optimum level of returns on an ongoing basis.

Your Bank conducts Internal Capital Adequacy Assessment Process (ICAAP) every year as stipulated by RBI. ICAAP is aimed to ensure that the Bank maintains capital commensurate to its risk profile and improves upon its risk management systems and framework on an ongoing basis. It involves realistic assessment of level of risks inherent in the business operations of the Bank and setting aside capital adequate to cover all such risks. Capital planning, in order to ensure that Bank is adequately capitalized for the period ahead and has sufficient buffers to withstand stress conditions, is part of ICAAP.

#### **Business Continuity Plan:**

Your Bank has put in place a comprehensive bank-wide Business Continuity Plan to ensure continuity of critical operations of the Bank covering all identified disasters. In terms of the Business Continuity Plan Policy approved by the Board, Business Continuity Plan (BCP) Committees have been formed in Head Office, Zonal Offices and Branches. A Contingency Management Team (Task Force) has been formed at Head Office, functioning as a Central Crisis Management Team for ensuring business continuity. Bank's Core Banking System, Channels, etc have undergone periodical DR testing to ensure the capability of the same to handle disastrous situations.

#### **Information Security:**

The Bank has an Information Systems security team functioning at Head Office. The team is in charge of creation and maintenance of security policies and plans. The team is responsible for the formulation and periodic review of Information systems security policies as well as creating the information security awareness

among staff and customers of the bank. The Bank has also taken steps to implement the Information Security Management System in all its critical IT areas.

#### **Inspection & Audit:**

The internal audit system of your bank is governed by the Audit policy approved by the Board of directors which is robust enough to meet the challenges of the technology based banking environment. During the year Audit & Inspection Policy was reviewed taking into account the recommendations of M/s M P Chitale & Co, Chartered Accountants, based on their quality assurance study on the audit system of the bank. Policies for Legal Audit and Document Management system were added to the Inspection and Audit Policy. during the year. The Audit policy ensures effective system of internal control and existence of appropriate methods for monitoring compliance with laws and regulations stipulated by RBI , Government of India and other regulatory bodies.

Every activity and every entity of the bank, including subsidiary and outsourced activity, fall within the scope of internal audit.

Risk Based Internal Audit (RBIA) of branches: Risk Based Internal Audit (RBIA) provide assurance and high quality information about the adequacy and effectiveness of the risk management and control framework in the Bank's operations including statutory, regulatory and other compliances.

All branches, except Service and non-business branches, of the bank are subjected to risk rating and the frequency of audit is determined on the basis of the Composite risk rating of the branch and the Direction of movement of composite risk.

#### **Risk assessment is done with the objective of:**

- Identification and measurement of inherent business risks (credit risk and operational risk) in various activities undertaken by the Bank.
- Evaluating the effectiveness of control systems.



The audit execution of your bank during the year is given overleaf:

Sl No.	Type of Inspection / Audit	Yearly Target	Yearly Achievement as on 31/03/2014
1.	Risk Based Internal Audit of branches	676	818
2.	Management Audit of Zonal Offices	4	4
3.	Management Audit of HO Depts / Divisions	20	20
4.	Regional Credit Hubs and NCH	19	19
5.	FOREX Audits – A & B category branches	53	67
6.	FOREX Audits – C category branches	--	10
7.	Revenue Audit offsite	666	706
8.	Total Gold Loan Audit	1012	1208
9.	Credit Audit	As per dis-bursal	865
10.	IS Audit by External Team	110	110
11.	IS Compliance Audit by RBIA Auditors	455	482
12.	Regional Offices		34
13.	Federal Aswas Centres.		19
14.	Outsourced Agencies		23
15.	Concurrent Audit	202 branches, Treasury Department, International Banking Department (IBD), Gold Sale Business of RBD and DP Division	

#### Offsite surveillance and IS Audit:

Offsite monitoring Cell reviews periodic reports on critical items and sensitize the controlling offices, departments and branches for taking corrective action on a daily basis. The Cell is reliant on technology for various analytics. Audit tool ACL and MIS reports are used for the monitoring function. Through Document Management System (DMS) the documents are scanned and uploaded in the DMS Server to facilitate digitization of documents and offsite audit.

Offsite monitoring cell took continuous effort to detect revenue leakages and to achieve higher level of compliance related to Loan, Deposit and Customer information.

IS Audit of 110 branches and the IT infrastructure of the Bank was carried out by reputed external agencies.

Risk Based Supervision of Reserve Bank of India: Your Bank is privileged to be selected as the only Private Sector bank among 30 banks identified for rollout of RBS in the industry in the initial phase. Federal Bank is the only Bank in Kerala selected by RBI for Risk Based Supervision. The selection process was based on the merits of the control systems and procedures existing in your bank.

#### Comment Rectification Unit:

Comment Rectification Unit was set up in the Inspection & Audit Department during the year for giving more focused attention in monitoring the rectification of the audit comments. The effective functioning of the Unit resulted in timely rectification and corrective action in audit comments.

#### Audit Management System:

Your Bank's Audit Management System is developed in house and deployed in dedicated servers under secured environments. The Software is used for audit and rectification functions. During the year various new utilities were added to the software which facilitated the smooth operations of the Inspection and Audit Department.

#### Information & Technology:

This year your bank has introduced an innovative award winning product – FedBook. It is the electronic version of a traditional bank pass book, a first of its kind product



ever launched in the industry. It helps customers to view all the transactions in their bank accounts. The application is user friendly, secure and enables real-time access to transactions on a 24x7 basis, which liberates users from the restrictions of business-hours and bank holidays. The FedBook app can be freely downloaded by the customers and installed in their mobile devices. FedBook is made available in 4 platforms ie. Android, iPhone, Windows, BlackBerry.

*FedBook won the prestigious IBA Innovation Award 2013*

**3 way DR setup:** For the disaster recovery plan your Bank has set up 3-way-DR for attaining zero data loss. A near DR center has been established which operates in a synchronous mode with our main Data Center. This means all transactions that happen are stored in the Near DR as well as main Data Center at the same time. A remote DR site, at a different geographic location, runs in an asynchronous mode. These three data center operation works in such a way that there can be no data loss in the event of a disaster. In case main data center goes down, the near DR starts synching of data with remote DR center. Bank continues to operate from remote DR.

**Online Account Opening for Resident Customers:**

Your Bank has introduced SB online account opening for resident customers. Customers can open an account in just 3 steps.

- Customer can fill in the Account Opening Form (AOF)
- Submit print out of the duly filled AOF along with KYC documents at the branch
- Collect the account opening Ready Kit from branch

**Click-2-Sanction:** Click-2-Sanction is the Retail Loan Online In-principle Sanction application which enables branches to assess a customer for Home/Car loans. The application checks eligibility of a customer by generating CIBIL and running the CLAPS (Centralised Lending Automation Processing System) score-card in parallel. Using the application a branch can ascertain prima-facie if a customer is, income wise and CIBIL wise, eligible for the loan. This application has the potential to be extended online to customers as well.

**Virtual Account System (VAS):** Virtual Account System is an e-collection product designed to streamline remittance of funds by the clients of our customers to their collection accounts. It is seen that, when remittance is made by third parties at different bank counters vide NEFT / RTGS / IMPS etc., the details available in the account statement may not be enough to distinguish individual remitter and purpose. This creates problem for proper accounting at our customers' end and in reconciling the invoices raised by them against the payments received from their clients. Under VAS, each client of our customer will be given a virtual account number to which they can make remittance through a channel of their preference. The VAS system has the capability to identify the virtual account as the remittance made by a specific client to an account in the bank and process the payment accordingly. Our account holder gets accurate MIS on the remittance received because of this feature, even if the details provided along with the remittance is incomplete or not uniform.

*Our VAS won the Banking Frontier's Finnoviti 2013 Award*

**Online Retail Loan Lead Generation:** The Bank's website receives more than 20,000 hits a day from all over the world and this provides your Bank an opportunity to tap the tech-savvy customers scouting for Retail Loan Products. With a view to capture the genuinely interested category of customers, your Bank introduced an online lead generation application on its website. Through this application, prospective customers can apply for Home Loan, Car Loan and Property Power. The prospective customers will be contacted and genuine leads will be pushed to Branch's CRM module.

**Flash Debit cum Transit card:** Now carry convenience in your wallet: Flash Debit cum Transit card is launched by your Bank in partnership with Bangalore Metro Rail Corporation Limited (BMRCL). This card will help metro passengers travel with ease without queuing for tickets. The card will have to be preloaded with funds and it can be used as an ATM card as well. Upon flashing our VISA Flash Debit Card, automatic gates at NammaMetro stations will read and auto debit the money from the card based on the distance travelled by the customer.



The Combo card can be recharged through any of the following means –

- BMRCL counters in metro stations
- Through ATMs placed in select at stations
- Through FedNet
- Through SMS
- Through Auto Debit instructions

#### **Insta Flash Debit cum Transit Card:**

Insta Card is a Flash Debit cum Transit Card without any account attached to it. The card will be activated when it is recharged. It can be used as a debit card only when the card holder becomes a customer of the Bank.

#### **KYC and Anti Money Laundering:**

Your Bank has taken sufficient steps for the strict compliance of the 'Know Your Customer' and 'Anti Money Laundering' (KYC/AML) guidelines by maintaining a comprehensive policy frame work and updating it in line with the guidelines issued by Reserve Bank of India from time to time. The KYC/AML policy of the Bank incorporates customer acceptance policy, identification procedures, monitoring of transactions and risk management processes.

The account opening process has been centralised in the case of Savings Bank accounts and Current Accounts to ensure KYC compliance. Verification of KYC documents on-line while opening an account confirms KYC compliance. Our system validates the PAN number provided by the customer instantly while opening the account.

The bank has installed Anti Money Laundering software centrally to ensure regulatory compliances. Monitoring of transactions against a range of risk variables forms an integral part of the KYC compliance mandate. The alerts generated in the software on the basis of pre-defined benchmarks and scenarios help in monitoring the daily transactions, enabling identification of any suspicious transaction undertaken by money launderers and financiers of terrorism. Online monitoring of the transaction by KYC/AML cell makes the monitoring more

timely and stringent.

#### **Large Corporate Advances:**

The Large Corporate Department of your bank provides comprehensive financial and risk management solutions to clients generally with a turnover of more than ₹ 500 Cr or with credit requirement of ₹ 25 Cr and above. As on 31.3.2014, large corporate advances constituted about 31.89% of the total advances portfolio. LCD advances came down by 27.27% to ₹ 13852 Cr in FY14 against ₹ 19045 Cr in FY13. This is largely due to various policies adopted by the department mainly to prevent deterioration in asset quality and to ensure sustainable growth in coming years.

The major objective was to ensure a better asset quality even at the cost of business growth as asset quality is a serious challenge for the entire banking industry. The bank has performed better on asset quality parameters in FY14. While there was large increase in NPAs in almost all the banks, your Bank exhibited a decline in NPAs due to diligent selection of borrowers. Credit Risk Monitoring Division for large corporate advances was set up in FY14.

In the changing economic scenario, corporate portfolio requires diversified and specialised products and services from banks. To compete with major players, several structural developments have been brought about in the Large Corporate Department.

The bank has appointed a specialised dedicated relationship team to offer financial solutions to various categories including large, mid and emerging Indian corporate groups, public sector enterprises, Government bodies, multinational companies and financial institutions. Specialised solutions are being offered to clients after determining specific needs and their credit risk profile within our broad parameters and policies. Prospective clients are being selected after in-depth analysis. The Bank offers an array of banking products and services covering working capital, term finance, trade finance, specialised corporate finance products, structured financial services, foreign exchange, syndication services and electronic banking requirements of corporate clients.

Specialised debt syndication desk has been started to work with corporate/ SME clients to structure their debt-



equity constitution to aid them in rising funds. However, syndication and merchant banking activities did not witness a significant increase mainly due to the prevailing subdued economic environment.

The loan policy of your Bank has put in place a matrix of industry exposure limits with a view to de-risk the portfolio through diversification. The Bank has stipulated a clear threshold exposure criteria which determines the credit rating and guides taking large and new exposures. Prudential ceilings are prescribed for exposure in long-term assets, unsecured advances among others. Apart from subjecting each credit exposure to robust risk analysis at several levels it is also vetted by a Credit Risk Vetting Committee which consists of senior executives.

#### **Legal Compliance:**

Legal Department in your Bank is rendering professional and expert legal assistance for resolving all the legal issues of the Bank. New products and schemes introduced by the Bank invariably undergo legal vetting by the department for ensuring legal compliance.

Drafting as well as vetting of agreements for new products and services is a major function of the department which helps in business development of the Bank

The Department has embarked on stringent measures to attain the objective of a complaint free bank in order to mitigate the reputation risk. Complaints, if any, raised before any forum is amicably resolved or successfully defended to protect the reputation of the bank. The Department is extending yeoman service by arranging seminars on statutory changes, issuing circulars on legal matters etc. Seminars on the recent Companies Act 2013 and workshops on legal scrutiny of title to immovable properties were conducted in FY 2013 – 14.

The Department is also bringing out hand books on Documentation, Settlement of claims of deceased customers, etc. for the reference of officials to give good customer service. The Department publishes fortnightly major legal decisions affecting banks rendered by Supreme Court, various High Courts, Tribunals and Educational series christened "Legal Spectrum". This is published every month as part of development of human resources in legal

related matters. Legal Department is also rendering faculty assistance for imparting knowledge on legal matters to the employees of the Bank by handling sessions at training college of the Bank and also by preparing E learning material.

Empanelling of advocates, periodically reviewing their performance, arranging meetings of the panel advocates to ensure quality of legal opinions by discussing the legal issues with them on the basis of feedback from branches & zones is another functional area of the Legal Department.

#### **Marketing:**

Standardization of branch/ ATM signage and development of the new website were among the several brand building initiatives undertaken by your Bank during the year, which not only enhanced visibility of 'Federal Bank' across all key markets, but also in standardization of branding and communication across all channels and customer engagement activities. The Bank ran an intensive campaign to promote 'FedBook', the innovative e-passbook mobile app pioneered by Federal Bank during the year; which was spread across Television, Radio, Out of Home and Digital media. A sharp jump in Fedbook downloads was witnessed during the campaign period, apart from an increase in the no. of enquires via contact centre and website.

The Bank has a strong presence in the social media space mainly through Facebook, Twitter and Youtube channels, where a lot of youngsters are actively engaged and get to see our various posts related to new products, recruitment news etc. Bank's Facebook page currently has more than 3 Lakh fans.

#### **Leveraging Operations & Processes:**

Through carefully centralising some processes and decentralising some others, your Bank has always strived to extract maximum output and thereby increase efficiency. Leveraging on better processes and procedures has led to enhanced operational efficiency and service delivery. During the year, the Bank continued focusing on improving the productivity through automation, reducing the turnaround time and ultimately enhancing customer service.

With a view to enhance safety and convenience, one time



password based two factor authentication is introduced in internet banking.

The Bank has also centralised the process of archival of old records at outsourced locations to help branches to save space and improve the ambience at the branches. The Bank has already completed the process in 178 branches and going ahead this will be extended to all the identified branches in a phased manner. The following activities have also been centralised with a view to have more operational convenience, control and quality of data:

- Remittance to foreign countries
- Opening of Current Accounts
- Online verification of PAN Card Details
- Creation of Limit Nodes in Core Banking System

Your Bank is one of the pioneers in sponsoring White Lable ATMs in the country.

### Retail Business:

Resident Savings bank balances of your bank registered a growth of 18% to reach a figure of ₹ 8592 Crores which is above the industry growth. The Bank could also register a growth in the total resident retail deposits during the reporting period to reach a figure of ₹ 24765.71 Crores.

Our endeavor was on building long-term relationships with our customers. During the year, we launched various customer engagement programmes like “She Is Diva”, “Save and Win” etc. To reach out to High End payroll accounts for the employees of MNCs, other large Corporates, we launched “FEDCLASSIC PREMIUM” a feature rich Group Savings Bank Salary Account Scheme for high end salary earners with several add ons like Overdraft Facility at a highly attractive interest rate, Personal Loan, Free 24 hour Phone Banking, Door Step banking, Internet Banking, mobile banking, Sweep Facility etc. Further, for customers who prefer to transact online, we enhanced our savings account portfolio with the introduction of “Online Account Opening”. The bank also came up with a special Savings Account “FedExcel” for Professionals like doctors, engineers, CAs, entrepreneurs with a host of value added benefits. We continued to use advanced analytics to build customer relationships and gain a deeper understanding

of services and product needs of our customers.

As part of bringing more focus to marketing of technology products among our customers, Bank has created an exclusive team – Payments & Technology products Cell – during FY 13-14. Bank has introduced various awareness programs both for customers as well as staff members namely Federal Bank Freedom From Cash – Journey to a Less Cash World , Federal Bank Shopping Festival , One Branch One EFEE etc.

During the period under report, usage of channel products in the bank grew both in registration and usage - Usage of Debit Cards recorded a growth of 58% in terms of number of transactions and total number of Debit cards issued grew by 29%. Being the focus products of the Bank, Mobile Banking & Internet Banking registrations have also increased substantially. As part of promoting usage of banking technology among customers, your Bank has enabled various religious institutions across the country for receiving religious offerings through Mobile Banking & Online channels. The Bank has also won Banking Frontier’s Finnoviti 2013 Award for Federal bank Virtual Account System.

The retail loan book of the bank reached ₹ 14124 crore forming 33% of the total advances of the bank. Housing Loans continued to be major contributor in retail advances constituting 42% of the total retail loans. The Housing Loan portfolio reached ₹ 5929 Crores registering a growth of 16%. Auto Loans closed at ₹ 454 Cr. As on March 31,2014, there are 28,003 Educational Loans outstanding with balances totaling ₹ 584 Cr During the year, the Bank has introduced, Fed Rise, an innovative product, first of its kind in the entire banking industry, which offers increasing overdraft facility against recurring deposits. The bank has also introduced Diva Gold, an exclusive Gold Loan scheme for women with attractive offers and interest concession. Goldlite is another variant of Gold Loan which was launched during the year with lower interest rate targeted at customers who are comfortable with lower LTV. The Bank has successfully initiated several quality control measures to maintain the LTV of Gold Loan within the acceptable level of 75% in the turbulent Gold market. Home Invest, a new product, is introduced to cater to the



investment needs of the HNIs on residential flats/houses. Various pre-approved loan programmes were successfully introduced as part of cross selling and up selling. The bank could introduce Click 2 Sanction, an application for on the spot eligibility assessment and in principle sanction of home loans and car loans giving edge to the bank on spot decision making leading to better customer experience. During the year, the bank started online loan lead generation and conversion programme. The Bank has conducted various customer engagement programs; My Home My Car campaigns were conducted at 80 centres throughout the country giving enhanced visibility to the bank and immediate and long term business benefits. The Bank continues to place a lot of importance on asset quality and this has resulted in the Retail NPA going down considerably during the fiscal. The bank started a Sales Vertical and this proved to be successful in Ernakulam and we are in the process of expanding the Sales wing across the bank to consolidate, accelerate and take forward the sales activities of the bank under a single umbrella.

#### **SME Business:**

To diversify the portfolio and to mark our presence in various segments, the bank has tied up with various partners during the year. Some of the major tie ups are;

- Channel Financing program that was started with ITC – Stationery Division was further scaled up to include Corporates like Mahindra& Mahindra, Ashok Leyland-LCV segment , Tata Pigments, Eastern Group etc.

As on date we have more than 25 dealers under the program, with a total exposure of ₹ 60 Cr.

Your bank is a pioneer in Kerala in adopting the Sponsorship model for Co-Operative Banks. The bank is having tie up with 20 co-op banks as sub members for Cheque Truncation System (CTS). Debit Card Issuance / ATM Sharing. The Bank entered into agreement with 7 Co-Op Banks including 6 District Co-Op Banks. The bank has Federal Arthias scheme for financing Commission Agents in the state of Punjab & Haryana launched which is expected to take off this year which will give a boost to the SME business of the area. Contractors' scheme was refined based on market conditions and customer requirements

and is now a favorite product among the contractors. MSME Gold Loan contributed priority sector advances in a substantial way.

On technology front, your bank deployed the first PC-POS at Lulu Hyper Mall, Ernakulam. Rupay Acceptance has been facilitated in our POS machines and all POS deployed through our vendor TCPSL is now Rupay enabled. The bank In POS – we could also start Amex acquiring and DCC acquiring. Online acknowledgement of MSME loan application facilitated. Indo - Nepal remittance NEFT arrangement was made operational. Pension credits in Kottayam district were automated and our Bank was appreciated at the District forum for the best methodology implemented.

Your bank has made CMS Arrangements with a number of clients in its endeavour to increase fee income. The Bank had tied up with Kerala State Beverages Corporation (Bevco) for their cash Collection arrangements and Facilitated smooth collection arrangement from 249 outlets of Bevco.

The bank conducted many customer engagement programmes during this period. Some are;

- Meet with Gold Manufacturing units in Thrissur, to highlight and market Federal Goldsmith loan scheme launched last year.
- SME / Exporters / Contractors meet sponsored / conducted in Gurgaon, Rajkot, Kolhapur, Agra, Vashi, Ernakulam, Malappuram, Coimbatore, Kollam, Chennai etc.

By customizing loans for educational institution busses, the bank could become a preferred Banking partner for Educational institutions for purchasing Bus.

#### **Service Quality:**

The current competitive environment has forced banks to focus on managing customer relationships, and in particular customer satisfaction and customer loyalty. With all banks providing uniform products and services, quality is one aspect that is going to be the decisive factor for the bank as well as the customer.



Your Bank has initiated a Quality movement with the following objectives

- Ensure standardization of look, feel & customer experience
- Raise the averages at all branches pan-bank with regards to customer experience
- Create system, processes and procedures capable inherently of continuous improvement

A dedicated team has been deployed to create an in-house capability to improve all customer critical processes on the go and ensure that such processes are ever current and ever agile. The team is also equipped with sound measures to evaluate various customer touch points with respect to quality and improve them dynamically. This initiative is expected to yield fruits over the next three years.

#### Customer Grievance

Particulars		31st March 2014
(a)	No. of complaints pending at the beginning of the year	48
(b)	No. of complaints received during the year	2743
(c)	No. of complaints redressed during the year	2722
(d)	No. of complaints pending at the end of the year	69

Implementation of Awards		31st March 2014
(a)	No. of unimplemented awards at the beginning of the year	1**
(b)	No. of awards passed by the Banking Ombudsman	Nil
(c)	No. of awards implemented during the year	Nil
(d)	No. of unimplemented awards at the end of the year	1**

\*\* Award pending from 2012, Appeal rejected by AA, case filed in High Court and stay obtained.

Out of the outstanding complaints during the FY end,

most of the complaints were received during the last two weeks of the FY. 53% of the complaints are process related (ATM, Fednet, Channel facilities etc.) 19% loan related, 9% deposit related, 7% Ombudsman complaints and 12% related to various other areas. The bank has a process of assessing the root cause of the complaints in general and the nature of escalation and the findings are used to fine tune processes and bring corrections wherever necessitated.

#### Stressed Asset Management

In the fiscal 2013-14, your Bank has brought down its Gross NPA Level from ₹1554.01 Crores to ₹1087.41 Crores. Gross NPA and Net NPA stood at 2.46% and 0.74% respectively at the end of March 2014. The total provision held against non-performing advances, expressed as a percentage of Gross NPA amounted to 84.12% (including technically written off accounts) at the end of FY 2013-14. During the fiscal, your bank has set up a Credit Monitoring Department at Head Office to closely monitor and follow up the stressed and irregular accounts. This could reduce the fresh slippage to a considerable extent.

The Bank managed its NPA portfolio prudently, by considering and exercising options such as SARFAESI Act, compromise settlement, Lok Adalats and DRT.

As on 31 March 2014, the Bank held a total provision of ₹ 721.17 Crores. As per the RBI directive, banks should hold minimum provision coverage of 70% including technically written off accounts. As on 31 March 2014, the provision coverage ratio of your bank, including technically written-off accounts is 84.12%

#### Vigilance:

Your Bank has put in place an effective vigilance mechanism to safeguard the interest of the bank and its customers. Bank also has comprehensive policies; Fraud Risk Management Policy, Third Party Entity policy and Whistle Blower Policy, which are reviewed and updated from time to time in line with RBI instructions. The vigilance function includes prevention of frauds, investigation of frauds/attempted frauds, preventive vigilance audits etc. Workshops in Regions and programmes in the training college are conducted to sensitize the workforce and



to promote compliance culture and awareness among employees for preventing frauds. During the year preventive vigilance workshops were conducted at all 37 regions covering all branches, credit hubs and Zonal Offices. Customers are cautioned regarding frauds, especially cyber frauds, through our web sites, warnings on net banking in Log in page, SMS, emails etc.

### Corporate Social Responsibility:

For Federal Bank, Corporate Social Responsibility (CSR) has been an inherited and inbuilt element of its fundamentals right from the day the bank was founded. Our founder's values and ethos were embedded into the bank's policies and principles, which are reflected even today in its day-to-day business. CSR in Federal Bank began with the act of Cultivating banking habits in an agrarian society, to effectively utilize idle money for productive purposes. Creating employment opportunity for a predominantly farming community was phase two.

The bank's early training cum employment policy of recruiting academically brilliant students who passed out school final examination in first class, but financially unable to proceed to higher education was an early commitment to society. This enabled a large number of poor but brilliant students to develop their personality and to grow to adorn vital positions in the society. Many of the products and services promoted by the bank – marriage endowment schemes, educational loans etc had resulted in great benefits to the society, at that point of time.

The CSR policy of Federal Bank has been characterized by active participation in various social welfare and charitable projects all over the country. The CSR policy of the bank prescribes the areas and geographies so that the bank can make a meaningful effect in these focus areas. It focuses mainly on the following core areas

1. Education
2. Healthcare
3. Agri- infrastructure

The CSR activities of Federal Bank are aimed solely at making a meaningful contribution creating positive sweeping changes with care and concern for the society. Your Bank

received the Award for the 'Most Socially Committed Organization. Your Bank is observing the Year of Sunshine - a noble effort to take care for Senior Citizens and empowerment of underprivileged youth. Some of the major activities undertaken by the Bank during the year are as follows.

- As part of CSR activities, bank donated a school bus to Mar Athanasius Rehabilitation Centre, Perumbavoor.
- Samaritan Home, Thalassery, run by sisters for the aged and destitute people, was started in 2005. The bank extended support for digging a tube well, as they were facing acute water shortage.
- Donated touch screen Tablets for Nirmala Training Center for early detection and treatment of children with Autism, Kakkanad.
- Donated a Maruti Omni as a Home Care Vehicle to the Pain and Palliative Care Society, Medical College, Kozhikode.
- Organized a seminar on "Women's well Being" with Rotary Club of Chennai on 20th April 2013. The federal bank supported the interactive session which was highly noted for the presence of specialists from the related field.
- Sensory room for mentally challenged children of Chavara special school, Koonammavu- Varapuzha. Federal Bank assisted the organization in setting up a "Sensory Room" for the mentally challenged children where the kids could engage safely in sensory based activities that help regulate central nervous system and thus leading to an increased quality of life.
- Donated a School Van to KRIPA Special School, a Vocational Training Centre for physically and mentally challenged youth at Chunangamveli.
- Constructed an open air multipurpose auditorium for Govt Higher Secondary School- Puliyanam
- Sponsored cardiac motor to "Swami Vivekananda Medical Mission" Wayanad to treat the tribal population who are suffering from cardiac ailments.



- Along with the establishment of a new branch, the federal bank also contributed to the IT education requirements of the newly constructed St. Thomas LPS Thomapuram, by installing a computer lab.
- Rejuvenation of SPARSHAM - project involved in rehabilitation of Marad communal riots affected people - Federal Bank, in a joint initiative with the District Administration Kozhikode, Kudumbashree Mission started the SPARSHAM project to provide jobs to economically backward women.
- Sponsored schools for educating the tribals of Idukki and Wayanad in association with "Friends of Tribal Society"
- Raksha Bhavan a Charitable Society, engaged in protecting senior citizens is run by retired employees. The Bank supported the institution to urgently acquire steel cots as they were facing shortage of bed facilities for the new inmates.
- Bank provided insurance facility under Fed Suraksha Scheme as support for Balulal Laxmi Narayan Trust for the upliftment of girl children below poverty line in Jaysinghpur, Maharashtra
- Federal bank sponsored trophies and mementoes for the 5th South Regional Cricket Tournament for deaf in Coimbatore and for Kerala State Level cricket tournament for blind in Ernakulam. This event is a further testimony to your bank's continuing support to the differently abled.
- Federal Bank supported in setting up post treatment care and support unit under the pediatric oncology Division, Regional Cancer Center, Trivandrum
- Sponsored the Musical night on 19th May 2013 as support to flagship programme- Heart to Heart of World Malayalee Council- Mumbai, whose proceeds would go to the assistance of financially weak patients.
- Magic Association, a charitable institution devoted for the cause of promoting the art of magic, together with Federal Bank organized "Aluva Magic Utsav", a four day magical fiesta aimed at raising funds to establish a Medical Asylum, Magic Museum and to provide opportunity for street magicians.
- The Bank supported Nazareth Hospital Allahabad in their urgent need to acquire beds as they were facing shortage of bed facilities for the poor and needy patients.
- The Bank offered a helping hand to Kurji Holy Family Hospital, Patna- Bihar for purchasing various medical equipments like pulse oxymeter, drying shes, tractor, MS Office, Dunlop mattress etc. to treat the poor and needy sections of the society most of who come to them in a critical condition needing immediate medical attention.
- Federal Bank with Mathrubhumi organized a student empowerment and Environmental Development Programme christened SEED which involves the students, teachers and schools towards bringing about a change in the society to minimize waste, proper waste management and planting trees for future.
- To spread awareness throughout the revenue districts of Ernakulam, Thrissur, Palakkad, Idukki and Coimbatore, Rotary International and Federal Bank together organized a mobile medical camp with a fully equipped van which provided diabetic onsite testing and diagnosis.
- The Bank sponsored an Ambulance as 'Patient Transport Vehicle' to be used for rural services and in times of mass casualties to transport injured patients for Christian Medical College, Ludhiana.
- Sponsored Special chairs for the physically challenged children of Santwanam Special School, Kothamangalam.
- Bank provided an ambulance to the institution for transporting HIV patients in and around Tumkur District, Karnataka.
- Under the joint auspices of Federal Bank, a free plastic surgery camp was organized at St. Richard Pampuri Medical and Research Centre at Khandwa
- Supported St. Mary's High School, Chellanam with a Library cum information center
- Relief Measure to Victims of Uttarakhand Flood - In order to mitigate the hardships caused to the affected people and to support the humanitarian efforts, many Federals joined together and contributed towards the noble cause an amount more than ₹ 20 Lakh
- Sponsored Laptops for financially weak students of



- Abkari Workers for higher education- Kilimannur
- Financial support to Chinnamma Memorial Girls High School, Trivandrum- renovation of classroom with new furniture
  - Supported a Musical programme as a fund raising programme for the marriage of poor girls, girl child education and home for homeless at Hyderabad
  - Distributed pre owned PCs and helped set up laboratory for schools in rural and/backward areas
  - Sponsored Soccer and Cricket Championship programme to eradicate drug abuse from the society and promote healthy youth in Jammu.
  - Supported St. Francis Higher Secondary school for Girls, Aluva school in the construction of the ground floor of the new school building.
  - Sponsored school bus for mentally challenged children of Vavshakti Vidyalaya, Rajkot.
  - Develoop 2014 in association with Federal Bank – a youth empowerment programme initiated by Startup Village.
  - “Mini Marathon” a cancer awareness programme organized by Y’s Men’s Club, Kakkanad.
  - Distributed Trolley and wheel chairs to “Anugraha Sadhan” Chalakudy to carry bedridden inmates.
  - Sponsored Glasses and plates to supply free lunch to financially backward students of Govt. Model UP School, Nilambur.
  - Supported “Kudumbashree Mela” an innovative model for poverty eradication through women empowerment at Aluva.
  - Sponsored “SOLACE Annual Day” a fund raising programme to help children suffering from long term diseases-Thrissur.
  - Water Purifier to “Nehru Memorial Higher Secondary School”, Kaithakuzhy for providing clean drinking water.
  - Distributed FM Radio / Public Address System to Taluk HQ Hospital, Chalakudy for managing the OP Patients.
  - Sponsored Cloths for destitute of Ezhupunna Grama Panchayath on the occasion of Onam Celebration.
  - Distributed Uniforms for financially weak students of Govt. L P Boy’s School, Kidangoor.
  - Sponsored spectacles at the eye camp for poor villagers of Veliyanad Panchayath- organized by Mother Teresa Memorial Women Charitable Society, Kannamkary.
  - Sponsored Water purifier unit for the use of its inmates of Eventide Home for Senior Citizens, Trivandrum.
  - Sponsored Sewing Machines for widows and tricycles to handicaps on the occasion of Independence Day at Branch Barnala.
  - Supported the Leprosy Eradication Programme of “Kushtarog Niwaran Samiti” at Mumbai.

#### **Fedbank Hormis Foundation:**

Fedbank Hormis Memorial Foundation was instituted as a public charitable trust in the year 1996 by Federal Bank to make available the benefits of higher education and better knowledge and to the eligible professional students as scholarships. The activities of the Trust also include conducting training programmes, focused seminars, etc. The operations of the Trust were initiated in the year 1996. The Trust provides educational grants / scholarships / awards to deserving students undergoing specialized courses in fields related to banking. Over a period of time, this Trust has participated in various philanthropic activities for the benefit of the society at large.

Fedbank Hormis Memorial Foundation has been granting scholarships to economically backward professional college students. From the year 2013, the number of scholarships has been increased from 50 to 100.



# Feel At Home

## Triggering a retail revolution



The emerging new India is an India of youthful enthusiasm. With a young demographic profile, India is now reaching out to the moon. With a newfound spring in their steps, the Indian middle class is chasing bigger and better dreams. To help them realise their dreams, Federal Bank has lined up a spread of innovative products and services. Whether it's a bigger home or higher education, there is something for everyone. It's a sweet tale of partnership that closely mirrors the great Indian middle class family.

- ▶ Priority banking lounges at select branches providing personalized services to the HNI customers.
- ▶ Innovative cutting edge technological solutions to meet the needs of generation Y including online account opening
- ▶ Utsav rewards : A unique debit card loyalty rewards program for the debit card users.
- ▶ Free unlimited use of any ATMs outside Kerala ; a unique feature of Federal Bank.
- ▶ Innovative products like Vidya Gold, Fed rise which are first time in the industry.

Retail is a key segment which the Bank pursues and will continue to occupy an important role in the future growth of the Bank.





The best dreams  
are seldom  
dreamt alone.  
The best dreams  
are shared  
dreams.

## CORPORATE GOVERNANCE

### (Forming part of the Directors' Report for the year ended 31st March 2014)

The Bank has adopted a Code of Corporate Governance which while taking care of and safe guarding the interest of shareholders and all other stakeholders also provides good management, adoption of prudent risk management techniques and compliance with required standards of capital adequacy. The Code of Corporate Governance was amended with the effect from October 19,2013 with the approval of the Board to cope up with the changing governance structure and to comply with requirements of Companies Act and other regulations applicable to the Banking sector.

The Code also aims at identifying and recognizing the Board of Directors and the Management of the Bank as the principal instruments through which good corporate governance principles are articulated and implemented, giving utmost importance to identify and recognize transparency, accountability and equality of treatment amongst all the stakeholders, which is in tune with statutory and regulatory structures. A copy of the Code is available on request and is also available on our Bank's website.

#### Board of Directors

The composition of the Board of Directors is governed by the Banking Regulation Act, 1949, the Companies Act, Listing Agreement, and the Code of Corporate Governance adopted by the Bank. The Board comprises of 10 Directors, as on 31.03.2014 with rich experience and specialized knowledge in various areas of relevance to the Bank, including banking, accountancy, MSME, finance, industry, agriculture, and information technology.

Shri. Suresh Kumar, ceased to be a member of the Board and also as the Chairman of the Board of the Bank w.e.f 14.11.2013 and Prof. Abraham Koshy was appointed as Part Time Chairman of the Board with the approval of RBI( vide their letter dated December 2,2013) w.e.f 15.11.2013.

Shri. Dilip G Sadarangani was appointed as an Independent

Director on the Board of the Bank on 04.06.2013,Shri. Harish H Engineer was appointed an Independent Director w.e.f. 19.10.2013 and Smt. Grace Elizabeth Koshie was appointed as an Independent Director w.e.f. 22.11.2013. With the induction of Smt. Grace Elizabeth Koshie as a Director on the Board of the Bank, the Bank has complied with the regulatory requirement of appointing atleast one Woman Director on the Board.

Dr.K Cherian Varghese, an Independent Director on the Board of the Bank resigned has from the Board with effect from 28.07.2013.

Shri. P C John retired from the Board of the Bank, as Executive Director on 30.04.2013. Shri. Abraham Chacko, was appointed as Executive Director with a seat on the Board of the Bank with the approval of RBI on 08.08.2013. Excluding the MD & CEO and ED, all other members of the Board are Non-Executive and Independent Directors.

CA Nilesh S Vikamsey and Shri. Suresh Kumar were re-elected as Directors of the Bank at its last Annual General Meeting held on 20th July 2013. Dr.K.Cherian Varghese, Shri. Sudhir M Joshi, Shri. K M Chandrasekhar and Shri. Dilip G Sadarangani were appointed as Directors of the Bank at the Annual General Meeting held on 20th July 2013.

No relationship exists between the Directors of the Bank. Shri. Shyam Srinivasan, Managing Director & Chief Executive Officer of the Bank is liable to retire at this AGM as per the Companies Act, 2013. As per the requirements of Companies Act, 2013 all the existing Independent Directors of the Bank are hereby appointed in this AGM. Shri.Harish H Engineer and Smt. Grace Elizabeth Koshie were appointed as Additional Directors of the Bank, and are being recommended for appointment as Independent Directors in the Eighty Third AGM.

Eleven Board Meetings were held during the Financial Year ended March 31, 2014.



Attendance Details of the Board meetings of the Directors as on 31.03.2014 is given below.

Name of Director	No of Board Meetings attended/held during the year 2013-14.	Attendance at Last AGM held on 20.07.2013
Shri. Suresh Kumar*	7/11	Present
Shri. Shyam Srinivasan	11/11	Present
Dr. M.Y.Khan	3/11	Absent
Prof.Abraham Koshy	11/11	Present
CA. Nilesh S Vikamsey	10/11	Present
Dr. K Cherian Varghese*	4/11	Present
Shri. Sudhir M Joshi	11/11	Present
Shri. K M Chandrasekhar	9/11	Present
Shri. Dilip G Sadarangani	9/11	Present
Shri. Harish H Engineer#	4/11	NA
Smt. Grace Elizabeth Koshie#	4/11	NA
Shri. Abraham Chacko	6/11	Present
Shri. P C John*	1/11	NA

\* Shri. Suresh Kumar ceased to be a director w.e.f. 15.11.2013

\*Shri. P C John ceased to be a Director w.e.f. 30.04.2013

\*Dr.K Cherian Varghese ceased to be a Director w.e.f. 08.08.2013

# Shri.Harish H Engineer was appointed as Additional Independent Director w.e.f. 19.10.2013, after the date of the last AGM.

# Smt. Grace Elizabeth Koshie was appointed as Additional Independent Director w.e.f. 22.11.2013, after the date of the last AGM.



## BOARD PROCEDURE

All the matters included in the Agenda for discussion in the Board/Committees of Board are backed by comprehensive background information to enable the Board/Committee to take informed decisions. Agenda papers are generally circulated in advance prior to the meeting of the Board/Committee. Also the Board/Committee agenda contains the Action Taken Report of the directions taken at previous meeting. The members of the Board exercise due diligence in performance of the functions as Directors of the Bank and follow highest degree of business ethics, transparent practices and code of good governance amidst cordial environment.

## REMUNERATION TO DIRECTORS

Shri. Shyam Srinivasan, MD & CEO, was paid ₹ 93,27,401.41 (gross) and Shri. Abraham Chacko (Executive Director) was paid ₹ 89,00,932.67 (gross), as remuneration for the year in accordance with the terms and conditions approved by Reserve Bank of India and the shareholders. On September 23, 2013, Shri. Shyam Srinivasan was re appointed as MD & CEO of the Bank till September 22, 2016 with no variations in the terms and conditions of remuneration already drawn by him for which RBI approval was obtained vide letter dated September 21, 2013 and as indicated in the notice of AGM, placed before the shareholders for approval.

Shri. Abraham Chacko, was appointed as Executive Director with a seat on the Board of the Bank on 08.08.2013 with the approval of RBI.

- No pecuniary relationship exists for independent Directors vis-à-vis the Bank, other than payment of sitting fees for Board/Committee meetings /monthly honorarium.
- The Non Executive Directors are paid sitting fees as per the provisions of Companies Act, 1956, as indicated herein.

The details of remuneration of Shri. Shyam Srinivasan and Shri. Abraham Chacko are as under:

	Shri. Shyam Srinivasan MD & CEO (₹)	Shri. Abraham Chacko Executive Director (₹)
Basic Pay	69,99,960.00	64,99,980.00
House Rent Allowance	8,49,996.00	16,35,000.00
Provident Fund (Employer Contribution)	6,99,996.00	Nil
Servant Wages	60,000.00	Nil
Drivers Wages	Nil	1,67,500.00
Subscription to periodicals	Nil	Nil
Medical Expenses	67,445.41	13,452.67
Premium on Mediclaim Policy	Nil	Nil
Leave Travel Concession	Nil	Nil
Bonus/Ex-gratia/ Others	15,00,000.00*	5,85,000.00
Total	93,27,401.41	89,00,932.67

\* Paid with the approval of RBI

Shri. P C John who was the Executive Director of the Bank till 30.04.2013 was paid an amount of Rs 5 lakhs towards variable pay for which the RBI approval was obtained vide letter dated September 17, 2013.

Reserve Bank of India has approved grant of 641375 equity shares of face value of Rs 2/- each under ESOS 2010 Scheme to Shri. Shyam Srinivasan, MD & CEO and 325000 equity shares of face value of Rs 2/- each to Shri. Abraham Chacko (Executive Director).

Though the Board had offered 25,65,500 shares of Rs 2/- each as ESOS to Shri. Shyam Srinivasan, he decided to accept only one fourth of the shares offered and gave



back the rest into the ESOS pool to be distributed to the employees.

The Independent Directors were paid an amount of ₹20,000/- each as sitting fees for attending Board meeting, Audit Committee, Credit and Investment Raising Capital Committee, Information Technology Committee, Nomination, Remuneration, Ethics and Compensation Committee & Risk Management Committee meetings and ₹10,000/- each for attending other Committee meetings of the Board. The sitting fee paid to the Directors is within the limits prescribed under the Companies Act, 1956. Prof. Abraham Koshy, Chairman of the Board is paid Rs.1.25 lakhs per month as honorarium, as approved by the Board and RBI.

#### DIRECTORS' SHAREHOLDING

Name of the Director	No. of Shares held as on 31-03-2014
Prof. Abraham Koshy	5000
Shri. Abraham Chacko	5000

The Bank has granted 1,30,47,125 equity shares of face value of ₹ 2/- each during the FY 2013-14 to its employees.

#### AUDIT COMMITTEE

The Audit Committee consists of four non-executive, Independent Directors, and chaired by CA. Nilesh S Vikamsey, a Non-Executive Independent Director. The Committee was re constituted twice in the financial year 2013-14. The members of the Committee are CA. Nilesh S Vikamsey, Dr. M.Y.Khan, Shri. Dilip G Sadarangani and Smt. Grace Koshie, who are Non-Executive Independent Directors. Dr.T C Nair ceased to be a member of the Committee w.e.f. 01.05.2013. Shri. Dilip G Sadarangani was admitted as a member w.e.f. 05.07.2013, on reconstitution of the Committee and Smt. Grace Koshie w.e.f. 22.11.2013.

The constitution of the Committee is in compliance with the regulatory requirements.

The terms of reference of the Audit Committee and incorporated in the Bank's Code of Corporate Governance, are in accordance with the listing agreements entered into by the Bank with Stock Exchanges where the Bank's shares are listed, as well as RBI guidelines. The terms of reference

of Audit Committee also includes the activities mentioned in the Companies Act, 2013.

The terms of reference of the Committee are:

- Review the company's financial and risk-management policies, and, where necessary, recommend changes for the Board's approval.
- Review periodically the adequacy of internal control systems (including the asset-liability management and risk-assessment and management systems) with the management and external and internal auditors, assure itself that the systems are being effectively observed and monitored, and, where necessary, approve changes or recommend changes for the Board's approval;
- Review the adequacy of the internal audit function, including the structure of the internal audit department, staffing, and the suitability and seniority of the official heading it, reporting structure coverage, and the frequency of internal audit, and, where necessary, approve changes;
- Discuss with the head of the internal audit function any significant internal audit findings and follow-up thereon;
- Review the findings of any investigations by internal auditors or vigilance officials into actual or suspected fraud or irregularity or a failure of internal control systems of a material nature, and convey to the Board any comments of the Committee or action initiated by it on the findings;
- Review the Bank's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient, and credible, and present a true and fair view of the state of affairs and of the profit or loss of the Bank for the relevant financial year or other period as the case may be;
- Recommend to the full Board for shareholders' approval, the appointment, reappointment, removal, or replacement of the external auditors, and the fee payable to them for the audit, taking into consideration any relationship between the auditors and the Bank that may impact on the independence of the auditors in carrying out the audit;



- h. Approve the terms of engagement of the services of the external auditors for rendering any other professional services to the Bank and the fee therefore;
- i. Discuss with the external auditors, before they commence the audit, the nature and scope of the audit, and ensure coordination where more than one audit firm is employed;
- j. Review the draft annual, half-yearly, and quarterly financial statements with the external auditors and the management before submission to the Board for approval, such review focusing primarily on:
- any changes in accounting policies and practices;
  - major accounting entries based on the management's judgment;
  - significant adjustments arising out of audit;
  - compliance with the applicable accounting standards;
  - compliance with Stock Exchange and legal requirements, and RBI guidelines and directives, concerning financial policies and statements;
  - to review the company's statement on internal control systems prior to endorsement by the Board;
  - the going-concern assumption;
  - any related-party transactions, i.e., transactions of the Bank of a material nature with the Directors, senior executives, their relatives, or associated concerns, that may potentially conflict with the Bank's interests at large; and
  - any qualifications in the draft audit report;
  - matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act, 1956.
- k. Review with the external auditors, without the presence of the executive directors and Bank officials, and summarize their conclusion (in writing) at a full Board in the presence of the external auditors and without the presence of the management (Executive Directors, Bank Officials etc.)
- The auditors' report on the annual, half-yearly, and quarterly financial statements,
  - Their assessment of the internal control and reporting systems and procedures, the quality of the accounting principles applied and significant judgments affecting the statements, and the Bank's compliance with statutory and regulatory requirements, and
  - The auditors' long-form audit report and management letter and the management's response
  - Any concerns of the auditors with respect to the said systems and procedures, the financial statements, any aspect of compliance, or any other matter arising from or related to the audit;
- l. Discuss with the management the auditors' report and assessment, their qualifications and concerns, if any, and the management's response to the auditors' management letter and long-form audit report;
- m. Review with the management, and if necessary with the external auditors, any inspection or other report of RBI on the Bank or other communication from RBI on the audit, internal controls, financial reporting, or other aspects of the Bank falling within the remit of the Committee, and the management's response thereto;
- n. To review the functioning of the Whistle Blower mechanism, in case the same is existing.
- o. Approval of appointment of CFO (i.e., the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience & background, etc. of the candidate.
- p. review and monitor the auditor's independence and performance, and effectiveness of audit process;
- r. approval or any subsequent modification of transactions of the company with related parties;
- s. scrutiny of inter-corporate loans and investments;
- t. valuation of undertakings or assets of the company, wherever it is necessary;
- u. evaluation of internal financial controls and risk management systems;



- v. monitoring the end use of funds raised through public offers and related matters.
- w. Perform such other functions as may be entrusted to the Committee by the Board.

The Audit Committee met 9 (nine) times during the year in due compliance with RBI and Listing Agreement requirements and Companies Act.

Attendance Details are given below.

Name of the members	No of meetings attended/ held during 2013-14
CA. Nilesh S Vikamsey	9/9
Dr. M.Y. Khan	4/9
Shri. Dilip G Sadarangani	6/9
Smt. Grace Elizabeth Koshie	3/9
Dr. T.C. Nair*	2/9

\*Dr. T C. Nair ceased to be director w.e.f. 01.05.2013

#### **NOMINATION, REMUNERATION, ETHICS AND COMPENSATION COMMITTEE**

The Committee chaired by Prof. Abraham Koshy consists of CA. Nilesh S Vikamsey and Dr. M Y Khan as members. The Committee was re-constituted once in the financial year 2013-14. All of the members of the Committee are Non Executive Independent Directors. Shri. Suresh Kumar ceased to be a member of the Committee w.e.f. 14.11.2013 and the Committee was re-constituted on 22.11.2013 inducting CA Nilesh S Vikamsey as its member. The constitution of the Committee is in compliance with the regulatory requirements.

The terms of reference of the Committee are:

- a. Develop, for Board approval, a policy on the size and composition of the Board taking into account the available and needed diversity and balance in terms of experience, knowledge, skills, and judgment of the Directors.
- b. Review, from time to time, possible candidates for current or potential Board vacancies, including Directors who are to retire and are eligible for reappointment or re-election and other persons who may be recommended by the Chairman or other Directors, shareholders, senior officers of the Bank, or others; and
- c. Recommend to the Board candidates for election (including re-election) or appointment (including reappointment) to the Board.
- d. To look into the complaints and allegations against the top management of the Bank.
- e. To review the compensation package for the MD & CEO and the Executive Directors, and recommend revisions for Board approval.
- f. To consider and approve issuance and allotment of ESOS shares to MD/ ED and employees of the Bank.
- g. to ensure the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate directors of the quality required to run the company successfully;
- h. to ensure relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
- i. remuneration to directors, key managerial personnel and senior management involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the company and its goals.
- j. The Company Secretary, who shall also act as the secretary to the Committee, shall ensure that all appointments or elections of Directors to the Board are properly made, and shall obtain all necessary information from the Directors or candidates recommended by the Committee to ensure that they are not disqualified to act as Directors of the Bank under any statute or regulatory directives or guidelines, and that by appointing or electing them as Directors the Bank would meet its statutory and regulatory obligations and those arising from listing requirements of Stock Exchanges on which the Bank's shares are listed.
- k. All other Corporate Governance-related issues, as may be determined from time to time.

The Bank is having a compensation policy formulated in accordance with the RBI guidelines.

The Committee met 10 (Ten) times during the year.



Attendance Details are given below.

Name of the members	No of meetings attended/ held during 2013-14
Prof.Abraham Koshy	10/10
Dr. M.Y. Khan	5/10
CA. Nilesh S Vikamsey	1/10
Shri. Suresh Kumar*	9/10

\*Shri. Suresh Kumar ceased to be a director w.e.f.14.11.2013

#### **SHAREHOLDERS'/INVESTORS' GRIEVANCES AND SHARE TRANSFER COMMITTEE (STAKEHOLDERS RELATIONSHIP COMMITTEE)**

The Committee chaired by Shri. K M Chandrasekhar an Independent Director, consists of CA. Nilesh S Vikamsey, Shri. Shyam Srinivasan, MD & CEO of the Bank & Shri. Abraham Chacko (Executive Director), as members. The Committee was re constituted twice in the financial year 2013-14. Shri. P C John ceased to be a member of the Committee w.e.f. 30.04.2013. Shri. Abraham Chacko was inducted as a member on 05.07.2013 and Shri. K M Chandrasekhar was inducted as a member on 22.11.2013 on reconstitution of the Committee. Shri. Sudhir M Joshi ceased to be a member of the Committee w.e.f. 22.11.2013 on reconstitution of the Committee.

Shri Girish Kumar. G, Company Secretary, functions as the Compliance Officer.

The constitution of the Committee is in compliance with the regulatory requirements.

The terms of reference of the Committee are:

- To approve or reject applications for transfer of shares referred to the Committee by the Bank's Registrar and Share Transfer Agents in terms of such criteria as may be determined by the Committee and conveyed to the Agents.
- To initiate further actions on the complaints as is considered necessary or desirable by way of redressal or to prevent similar complaints arising in the future; and
- To review, where necessary, complaints received from shareholders or others regarding transfer of shares, non-receipt of declared dividends, non-receipt of annual accounts or reports, or other matters relating to shareholding in the Bank, and any action taken by the Bank on such complaints;

The Committee met 15 (Fifteen) times during the year and reviewed and redressed the complaints received from shareholders. The Bank attended to the complaints promptly and to the satisfaction of the shareholders. All the share-transfer applications received up to 31 March 2014 have been processed.

Complaint pending for redressal at the beginning of the year	Total complaints received during the year	Number of complaints redressed	Number of complaints pending for redressal
2	105	107	NIL

Attendance Details are given below.

Name of the members	No of meetings attended/ held during 2013-14
Shri. K M Chandrasekhar	8/15
CA. Nilesh S Vikamsey	14/15
Shri. Sudhir M Joshi	7/15
Shri. Shyam Srinivasan	15/15
Shri. Abraham Chacko	12/15
Shri. P.C. John*	1/15

\*Shri. P.C. John ceased to be a Director w.e.f. 30.04.2013

#### **CREDIT AND INVESTMENT RAISING CAPITAL COMMITTEE**

The Committee was renamed from the earlier Finance Committee to Credit and Investment Raising Capital Committee, consequent to merging of Finance Committee with Committee for Investment and Raising Capital w.e.f. 22.11.2013. The Committee chaired by Shri Sudhir M Joshi, consists of Shri. Harish H Engineer, Shri. Shyam Srinivasan, MD & CEO of the Bank and Shri. Abraham Chacko, (Executive Director) as members. The Committee was re constituted thrice in the financial year 2013-14. Shri. P.C. John ceased to be a member w.e.f 30.04.2013 and Shri. Abraham Chacko was inducted as member on 05.07.2013 on reconstitution of the Committee. Dr. K Cherian Varghese ceased to be a member w.e.f. 28.07.2013 and Shri. Suresh Kumar ceased to be a member w.e.f. 14.11.2013. Shri. Harish H Engineer was inducted as a member on 24.10.2013.



Since Finance Committee was merged with Committee for Investment and Raising Capital w.e.f. 22.11.2013 the terms of reference of Investment and Raising Capital Committee is also included in the terms of reference of Credit and Investment Raising Capital Committee.

The terms of reference of the Committee are:

- To consider proposals for approval, renewal, or modification of various types of funded and non-funded credit facilities to clients within such authority as is delegated to the Committee by the Board from time to time.
- Review of top 100 borrowal accounts of below ₹.5 crore in each category of NPA i.e. substandard/doubtful/loss.
- Credit proposals sanctioned by MD & CEO/Executive Director/General Manager(s).
- Compromise proposals/bad debts written off with the approval of MD & CEO/Executive Director.
- monitoring of the exposures (both credit and investment) by the Banks, review of the adequacy of the risk management process and upgradation thereof, internal control systems and ensuring compliance with the statutory /regulatory framework.
- to look into various avenue for strategic & non-strategic investment within the overall policy of the Bank for its organic and inorganic growth. Also look into the various options for raising of resources to achieve the tasks.

The Credit and Investment Raising Capital Committee met 18 (Eighteen) times during the year.

Attendance Details are given below.

Name of the members	No of meetings attended/ held during 2013-14
Shri. Sudhir M Joshi	18/18
Shri. Harish H Engineer	11/18
Shri. Shyam Srinivasan	18/18
Shri. Abraham Chacko	13/18

Shri. Suresh Kumar*	9/18
Shri. P C John*	1/18
Dr.K Cherian	5/18
Varghese*	

\* Shri. Suresh Kumar ceased to be a director w.e.f. 14.11.2013

\* Shri P C John ceased to be a director w.e.f. 30.04.2013

\* Dr.K Cherian Varghese ceased to be a director w.e.f. 28.07.2013

### COMMITTEE FOR INVESTMENT AND RAISING CAPITAL

(which has been merged with Finance Committee and renamed as Credit and Investment Raising Capital Committee w.e.f. 22.11.2013)

The Committee was chaired by Shri. Suresh Kumar and consisted of CA. Nilesh S Vikamsey, Shri. Sudhir M Joshi and Shri. Shyam Srinivasan as members upto 22.11.2013 when the Committee was merged with Finance Committee and re named as Credit and Investment Raising Capital Committee. The objectives of the Committee were to look into the various avenue for strategic & non-strategic investment within the overall policy of the Bank for its organic and inorganic growth and also to look after the various options for raising of resources to achieve the tasks. The Committee was re constituted once in the financial year 2013-14. Dr. T C Nair ceased to be a member w.e.f. 01.05.2013 and CA Nilesh S Vikamsey was inducted as a member w.e.f. 05.07.2013 on reconstitution of the Committee.

The Committee met 5 (Five) times during the year.

Attendance Details are given below.

Name of the members	No of meetings attended/ held during 2013-14
Shri. Suresh Kumar*	5/5
CA. Nilesh S Vikamsey	4/5
Shri. Sudhir M Joshi	5/5
Shri. Shyam Srinivasan	5/5

\*Shri. Suresh Kumar ceased to be a director w.e.f. 14.11.2013.

### RISK MANAGEMENT COMMITTEE

The Committee chaired by Prof. Abraham Koshy, consists of Shri. Sudhir M Joshi, Shri.K M Chandrasekhar, Smt.



Grace Elizabeth Koshie, Shri. Shyam Srinivasan and Shri. Abraham Chacko as members. Shri. P C John ceased to be a member of the Committee w.e.f. 30.04.2013. Shri. Abraham Chacko and Shri. K M Chandrasekhar was inducted as members of the Committee w.e.f. 05.07.2013 on reconstitution of the Committee. Dr.K Cherian Varghese ceased to be a member w.e.f. 28.07.2013. Shri. Sudhir M Joshi was inducted as a member w.e.f. 08.08.2013 and Smt. Grace Elizabeth Koshie was inducted as a member w.e.f. 22.11.2013 on reconstitution of the Committee. The Committee was re constituted thrice in the financial year 2013-14.

The constitution of the Committee is in compliance with the regulatory requirements.

The terms of reference of the Committee are:

- Devise the policy and strategy for integrated risk management containing various risk exposure of the Bank.
- Effectively co-ordinate between the Credit Risk Management Committee (CRMC), Asset Liability Management Committee (ALCO) and Operation Risk Management Committee (ORMC).
- Setting policies and guidelines for credit risk measurement, management and reporting.
- Ensuring that the credit risk management processes satisfy the Bank's policy.
- Set risk parameters and prudential limits for credit exposure.
- Appointment of qualified and competent staff; ensuring posting of qualified and competent staff, independent credit risk managers, etc.
- Ensure that adequate training is made available to the staff in Credit Risk Management Department, which handles this complex function.
- Ensuring that market risk management processes (including people, systems, operations, limits and controls) satisfy bank's policy.
- Reviewing and approving market risk limits, including triggers or stop-losses for traded and accrual portfolios
- Ensuring robustness of financial models, and the effectiveness of all systems used to calculate market risk.
- Setting policies and guidelines of operational risk measurement, management and reporting.
- Ensure that adequate training is made available to the staff handling Operational Risk Management functions, which is of great importance to the Bank.

The Risk Management Committee met 6 (Six) times during the year.

Attendance Details are given below.

Name of the members	No of meetings attended/ held during 2013-14
Prof. Abraham Koshy	5/6
Shri. Sudhir M Joshi	4/6
Shri. K M Chandrasekhar	4/6
Smt. Grace Elizabeth Koshie	2/6
Shri. Shyam Srinivasan	6/6
Shri. Abraham Chacko	3/6
Dr.K Cherian Varghese*	1/6

\*Dr.K. Cherian Varghese ceased to be a director w.e.f.28.07.2013

#### CUSTOMER SERVICE COMMITTEE

The Committee chaired by Prof. Abraham Koshy, consists of, Shri. K.M.Chandrasekhar, Shri.Harish H Engineer, Shri. Shyam Srinivasan, MD & CEO of the Bank and Shri. Abraham Chacko, (Executive Director) as members. Shri. P C .John ceased to be member w.e.f. 30.04.2013 and Shri. Abraham Chacko was inducted as a member w.e.f. 05.07.2013 on reconstitution of the Committee. Shri. Harish H Engineer was inducted as a member w.e.f. 22.11.2013 on reconstitution of the Committee. The Committee was re constituted twice in the financial year 2013-14.

The constitution of the Committee is in compliance with the regulatory requirements.

The terms of reference of the Committee are:

- Addressing the formulation of a comprehensive Deposit Policy, incorporating the issues such as the treatment of death of a depositor for operations of his account,



the product approval process, the annual survey of depositor satisfaction and the triennial audit of such services. Besides, the Committee also examines any other issues having a bearing on the quality of customer service rendered.

The Committee met 3 (Three) times during the year.

Attendance Details are given below.

Name of the members	No of meetings attended/ held during 2013-14
Prof.Abraham Koshy	3/3
Shri. K M Chandrasekhar	3/3
Shri.Harish H Engineer	1/3
Shri. Shyam Srinivasan	3/3
Shri. Abraham Chacko	2/3

#### COMMITTEE FOR MARKETING STRATEGIES

The Committee chaired by Prof. Abraham Koshy, consists of Shri. K.M. Chandrasekhar, Shri.Harish H Engineer, Shri. Shyam Srinivasan, MD & CEO of the Bank and Shri. Abraham Chacko, (Executive Director) as members. Shri. P C .John ceased to be member w.e.f. 30.04.2013 and Shri. Abraham Chacko was inducted as a member w.e.f. 05.07.2013 on reconstitution of the Committee. Shri. Harish H Engineer was inducted as a member w.e.f. 22.11.2013. The Committee was re constituted twice in the financial year 2013-14. The terms of reference of the Committee are:

The Committee draws plan & program to achieve the business target of the Bank, in the competitive scenario, and review areas of activity such as new product assessment etc.

The Committee met 3 (Three) times during the year.

Name of the members	No of meetings attended/ held during 2013-14
Prof.Abraham Koshy	3/3
Shri. K M Chandrasekhar	3/3
Shri.Harish H Engineer	1/3
Shri. Shyam Srinivasan	3/3
Shri. Abraham Chacko	2/3

#### COMMITTEE FOR REVIEW OF FRAUD CASES OF ₹1 CRORE & ABOVE

The Committee chaired by Shri. Shyam Srinivasan, MD & CEO of the Bank, consists of CA. Nilesh S Vikamsey, Shri. Dilip G Sadarangani, Smt. Grace Elizabeth Koshie and Shri. Abraham Chacko, Executive Director as members. All cases of fraud in the Bank of Rs 1 Lakh and above are reported to this Committee. The Committee was re-constituted twice in the financial year 2013-14. Dr.T C Nair ceased to be a member w.e.f. 01.05.2013 and Shri P C John ceased to be a member w.e.f. 30.04.2013. Shri. Dilip G Sadarangani and Shri. Abraham Chacko were inducted into the Committee w.e.f. 05.07.2013 on reconstitution of the Committee. Smt. Grace Elizabeth Koshie was inducted as a member w.e.f. 22.11.2013 on reconstitution of the Committee.

The constitution of the Committee is in compliance with the regulatory requirements.

The terms of reference of the Committee are:

- a) The major functions of the Committee would be to monitor and review all the frauds of Rs 100 lakh and above so as to:
  - Identify the systemic lacunae if any that facilitated perpetration of the fraud and put in place measures to plug the same.
  - Identify the reasons for delay in detection, if any, reporting to top management of the bank and RBI.
  - Monitor progress of CBI/Police investigation and recovery position.
  - Ensure that staff accountability is examined at all levels in all the cases of frauds and staff side action, if required, is completed quickly without loss of time.
  - Review the efficacy of the remedial action taken to prevent recurrence of frauds, such as strengthening of internal controls.
  - Put in place other measures as may be considered relevant to strengthen preventive measures against frauds.



The Committee met 2 (Two) times during the year.

Attendance Details are given below.

Name of the members	No of meetings attended/ held during 2013-14
Shri. Shyam Srinivasan	2/2
CA. Nilesh S Vikamsey	2/2
Shri. Dilip G Sadarangani	2/2
Smt. Grace Elizabeth Koshie	1/2
Shri. Abraham Chacko	2/2

#### COMMITTEE FOR HUMAN RESOURCES POLICY

The Committee chaired by Shri. K M Chandrasekhar, consists of Prof. Abraham Koshy, Smt. Grace Elizabeth Koshie, Shri. Shyam Srinivasan, MD & CEO of the Bank and Shri. Abraham Chacko, Executive Director as members. The Committee was re constituted twice in the financial year 2013-14. Shri. P C John ceased to be a member of the Committee w.e.f. 30.04.2013 and Shri. Abraham Chacko was inducted as a member w.e.f. 05.07.2013 on reconstitution of the Committee. Smt. Grace Elizabeth Koshie was inducted as a member of the Committee as decided in the Nomination Committee meeting held on 07.01.2014.

The terms of reference of the Committee are:

a.	To review the existing HR policy of the Bank.
b.	Finalize the organizational structure
c.	Address concerns expressed by various quarters like Union, Association etc.
d.	To identify the areas of motivation
e.	Review recruitment policies
f.	Review compensation policies
g.	Make industry comparison
h.	Review existing agreements and suggest methods to make them mutually beneficial
i.	Introduction of performance management/ measurement and compensation packages.

The Committee met once (1) during the year.

Attendance Details are given below.

Name of the members	No of meetings attended/ held during 2013-14
Shri. K M Chandrasekhar	1/1
Prof. Abraham Koshy	1/1
Shri. Shyam Srinivasan	1/1
Shri. Abraham Chacko	1/1

#### INFORMATION TECHNOLOGY AND OPERATIONS COMMITTEE

The Committee chaired by Shri. Dilip G Sadarangani, consists of Shri. Sudhir M Joshi, Shri. Shyam Srinivasan, MD & CEO of the Bank and Shri. Abraham Chacko, Executive Director as its members. The Committee was reconstituted once during the financial year 2013-14. Dr. T C Nair ceased to be a member w.e.f. 01.05.2013 and Shri. P C John ceased to be a member w.e.f. 30.04.2013. Shri. Dilip G Sadarangani and Shri. Abraham Chacko was inducted as members w.e.f. 05.07.2013 on reconstitution of the Committee.

The constitution of the Committee is in compliance with the regulatory requirements.

The terms of reference of the Committee are:

- Perform oversight functions over the IT Steering Committee (at a senior management level)
- Investigate activities within this scope
- Seek information from any employee
- Obtain outside legal or professional advice
- Secure attendance of outsiders with relevant expertise, if it considers necessary
- Work in partnership with other Board committees and Senior Management to provide input, review and amend the aligned corporate and IT strategies.
- Approving IT strategy and policy documents
- Ensuring that the management has put an effective strategic planning process in place
- Ratifying that the business strategy is indeed aligned with IT strategy



- j) Ensuring that the IT organizational structure complements the business model and its direction
- k) Ascertaining that management has implemented processes and practices that ensure that the IT delivers value to the business
- l) Ensuring IT investments represent a balance of risks and benefits and that budgets are acceptable
- m) Monitoring the method that management uses to determine the IT resources needed to achieve strategic goals and provide high-level direction for sourcing and use of IT resources
- n) Ensuring proper balance of IT investments for sustaining bank's growth
- o) Becoming aware about exposure towards IT risks and controls. And evaluating effectiveness of management's monitoring of IT risks
- p) Assessing Senior Management's performance in implementing IT strategies
- q) Issuing high-level policy guidance (e.g. related to risk, funding, or sourcing tasks)
- r) Confirming whether IT or business architecture is to be designed, so as to derive the maximum business value from IT
- s) Overseeing the aggregate funding of IT at a bank-level, and ascertaining if the management has resources to ensure the proper management of IT risks
- t) Reviewing IT performance measurement and contribution of IT to businesses (i.e., delivering the promised value)

The Committee met 4 (Four) times during the year. Attendance Details are given below.

Name of the members	No of meetings attended/ held during 2013-14
Shri. Dilip G Sadarangani	4/4
Shri. Sudhir M Joshi	4/4
Shri. Shyam Srinivasan	4/4
Shri. Abraham Chacko	4/4

#### **CORPORATE SOCIAL RESPONSIBILITY COMMITTEE**

The Corporate Social Responsibility Committee was formed by the Bank as per the Companies Act, 2013 and a meeting of the Committee was held on 12.04.2014. The Committee consists of Prof. Abraham Koshy as its Chairman and Shri. K M Chandrasekhar and Shri. Shyam Srinivasan as its members.



**DETAILS OF BOARD, AUDIT COMMITTEE, NOMINATION, REMUNERATION, ETHICS & COMPENASATION COMMITTEE, CREDIT AND INVESTMENT RAISING CAPITAL COMMITTEE, RISK MANAGEMENT COMMITTEE AND INVESTOR GRIEVANCE AND SHARE TRANSFER COMMITTEE MEETINGS HELD DURING THE FINANCIAL YEAR ENDED MARCH 31, 2014.**

SL. No.	Board Meeting	Audit Committee	Nomination, Remuneration Ethics & Compensation Committee	Credit and Investment Raising Capital Committee*	Risk Management Committee	Investor Grievance and Share transfer Committee
1.	27.04.2013	18.04.2013	16.04.2013	17.04.2013	03.06.2013	27.04.2013
2.	14.05.2013	27.04.2013	26.04.2013	14.05.2013	07.08.2013	04.06.2013
3.	04.06.2013	06.07.2013	14.05.2013	04.06.2013	11.10.2013	19.07.2013
4.	19.07.2013	19.07.2013	04.06.2013	04.07.2013	08.11.2013	12.09.2013
5.	08.08.2013	11.09.2013	05.07.2013	20.07.2013	13.12.2013	19.10.2013
6.	12.09.2013	17.10.2013	05.08.2013	23.08.2013	31.01.2014	08.11.2013
7.	19.10.2013	18.12.2013	11.09.2013	27.09.2013		21.11.2013
8.	22.11.2013	17.01.2014	18.10.2013	24.10.2013		05.12.2013
9.	08.01.2014	18.02.2014	08.11.2013	08.11.2013		18.12.2013
10.	17.01.2014		07.01.2014	21.11.2013		04.01.2014
11	08.03.2014			30.11.2013		20.01.2014
12				13.12.2013		08.02.2014
13				04.01.2014		28.02.2014
14				31.01.2014		18.03.2014
15.				15.02.2014		31.03.2014
16				05.03.2014		
17				18.03.2014		
18				26.03.2014		

\*Finance Committee merged with Committee for Investment and Raising Capital w.e.f. 22.11.2013 and renamed as Credit and Investment Raising Capital Committee.



**INFORMATION RELATING TO LAST THREE GENERAL BODY MEETINGS IS FURNISHED BELOW:**

Name of Meeting	Day, Date and Time of Meeting	Venue	Special Resolution Transacted
80th Annual General Meeting	Saturday, 3rd September 2011 at 10 A.M.	Mahatma Gandhi Municipal Town Hall, Aluva	No Special Resolution
81st Annual General Meeting	Thursday, 2nd August 2012 at 10 A.M	Priyadarshini Town Hall, Thottakattukara, Aluva	No Special Resolution
82nd Annual General Meeting	Saturday, 20th July 2013 at 10 A M	Mahatma Gandhi Municipal Town Hall, Aluva	No Special Resolution

**DISCLOSURES**

There were no material transactions between the Bank and its Directors or management having potential conflict with the larger interests of the Bank. The Bank complied with the directives issued by the Stock Exchanges on which the Bank's shares are listed, SEBI, and other regulatory authorities. No penalties or strictures have been imposed on the bank by SEBI or any of the Stock Exchanges for any non-compliance on any matter relating to capital markets during the last three years. No Postal Ballot was conducted during the financial year 2013-2014. However a fine of Rs 3 Crore was levied by RBI in the matter of Thematic Review.

**INSIDER TRADING CODE:**

The Bank has formulated a code for prevention of Insider Trading pursuant to Securities and Exchange Board of India (Insider Trading) (Amendment) Regulation 2002 to prevent the practices of Insider Trading. Shri. Girish Kumar Ganapathy, Company Secretary has been designated as Compliance Officer for this purpose. Senior Management of the Bank has affirmed compliance with the Code of Conduct.

**ADHERENCE OF CODE OF CORPORATE GOVERNANCE:**

The Board of Directors of the Bank has adopted the Code of Corporate Governance. All the Board members and the senior management of the Bank have affirmed compliance to the Bank's Code of Corporate Governance.

**ADOPTION OF NON-MANDATORY REQUIREMENTS**

The Bank has adopted the non-mandatory items like

Constitution of Board Remuneration Committee, Whistle Blower mechanism, Training of Board members etc.

**Training of Board Members:**

Bank has initiated steps for meeting the training needs of the directors and they are being nominated wherever suitable programs are there.

**Mechanism for evaluating non-executive Board Members:**

The peer evaluation of each Board member was done and reviewed by the full Board.

**Whistle Blowing Policy:**

The Bank affirms that no employee has been denied access to the Audit Committee of the Board under the Whistle Blowing Policy adopted by the Bank.

**ETHICAL STANDARDS EMPLOYED BY THE BANK:**

The Bank has formulated service manual for its employees. This manual contains comprehensive regulations on ethical standards to be mandatorily observed by all the employees of the Bank.

**OUTSTANDING GDRs/ADRs/WARRANTS OR ANY CONVERTIBLE INSTRUMENTS, CONVERSION DATE AND LIKELY IMPACT ON EQUITY:**

The Bank has 148,59,545 GDRs (equivalent to equity shares) outstanding, which constituted 1.74 % of the Bank's total equity capital as at 31 March 2014. No convertible debenture is outstanding.



**CEO/CFO CERTIFICATION:**

In terms of Clause 49 of the Listing Agreement, the certification by MD & CEO and Chief Financial Officer on the financial statements and internal controls relating to financial reporting have been obtained.

**MEANS OF COMMUNICATION:**

The quarterly, unaudited and annual audited financial results were published in nationally circulated newspapers in English, such as, Business Line and Business Standard, and in the regionally circulated Malayalam daily Deepika. The results were also displayed on the Bank's website - www.federalbank.co.in

**GENERAL INFORMATION FOR SHAREHOLDERS****ANNUAL GENERAL MEETING**

Date	: 17.07.2014
Time	: 10 AM
Venue	: Mahatma Gandhi Municipal Town Hall, Aluva
Financial year	: 01 April 2013 to 31 March 2014
Period of book closure	: 08.07.2014 to 17.07.2014
Dividend payment date	: 23.07.2014

**FINANCIAL CALENDER**

Approval of quarterly results for the period ending:

- 30 June 2013 : 19 July 2013
- 30 September 2013 : 19 October 2013
- 31 December 2013 : 17 January 2014
- 31 March 2014 : 29 April 2014

**LISTING ON STOCK EXCHANGES**

The Bank's shares are listed on the Stock Exchanges viz. in National Stock Exchange of India Ltd., BSE Ltd. and Cochin Stock Exchange. The GDRs issued by the Bank in 2006 have been listed on the London Stock Exchange.

BSE Scrip Code : 500469 Scrip ID : FEDBANK

NSE Symbol : FEDERALBNK

CSE Scrip Code : 500469

LSE Scrip Code : FEDS

Demat ISIN Code : INE171A01029\*

The ISIN was changed from INE171A01011 to INE171A01029 w.e.f. 19.10.2013 consequent to splitting up of shares from ₹ 10/- each to ₹ 2/- each.

The annual listing fees for 2013-14 have been paid to all the Stock Exchanges where the shares are listed.

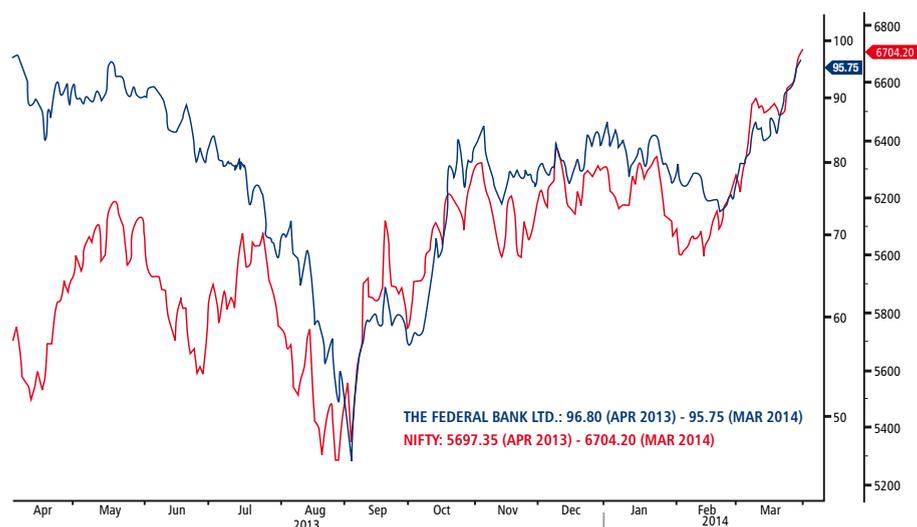
**MOVEMENTS IN THE MARKET PRICE OF THE BANK'S SHARES ON THE NATIONAL STOCK EXCHANGE:**

Month	High	Low
Apr-13	499.00	405.90
May-13	486.00	440.20
Jun-13	470.00	390.00
Jul-13	424.40	321.50
Aug-13	362.00	239.00
Sep-13	322.00	223.15
Oct-13*	85.00	55.66
Nov-13	86.50	73.30
Dec-13	86.00	76.45
Jan-14	89.60	75.10
Feb-14	79.65	72.35
Mar-14	97.75	76.10

\*From October 19th 2013, 1 share of ₹ 10/- face value was split into 5 shares of ₹ 2/- face value.



### Performance in comparison to NIFTY



#### REGISTRARS AND SHARE TRANSFER AGENT

Integrated Enterprises (India) Ltd.  
 2nd Floor, Kences Towers,  
 No.1 ,Ramakrishna Street,  
 Off : North Usman Road  
 T.Nagar, Chennai-600017  
 Phone No: 044-28140801-03  
 Fax: 044-28142479  
 Email: csdstd@integratedindia.in

#### SHARE TRANSFER

Integrated Enterprises (India) Ltd, the Registrar and Share Transfer Agents looks after the share transfer. The share transfer instruments, as and when received, are duly processed and shares in respect of valid share transfer instruments are transferred in the names of transferees complying with rules in force.

The Bank obtains from a Company Secretary in practice, half yearly certificate of compliance with the share transfer formalities as required under Clause 47(c) of the Listing Agreement with Stock Exchanges and files a copy of the

certificate with the Stock Exchanges.

As required by SEBI, a Reconciliation of Share Capital Audit is conducted on a quarterly basis by a Practicing Company Secretary and Certificate issued in this regard is forwarded to the Stock Exchanges

#### DEMATERIALIZATION OF THE BANK'S SHARES

The shares of the bank was split from face value of Rs10/- each to face value of Rs 2/- each w.e.f. 19.10.2013 with the approval of shareholders



.The Paid up Equity Shares of the Bank as on 31.03.2014 is 855311785. Out of this 854897845 shares are listed. Of the total listed equity shares of the Bank, 833036415 shares(97.44%)are held in dematerialized form and 21861430(2.56 %)are in physical form. Under agreements with National Securities Depository Services Ltd (NSDL) and Central Depository Services Ltd (CDSL), the Bank's shares can be and are traded in electronic form. Shares remaining in physical form can be dematerialized for which the share holders are requested to open a Depository Account with the Depository Participants (DP) and to lodge the share cer-

tificates along with Demat Request Form with them.

#### UNCLAIMED DIVIDENDS

Under the Transfer of Unclaimed Dividend Rules, it would not be possible to claim the dividend amount once deposited in Investors' Education & Protection Fund (IEPF). Therefore, shareholders are requested to claim their unpaid dividend, if not already claimed.

The details of unclaimed dividend of last three years are as under:

(As on 31-03-2014)

Sl. No.	Financial Year	Amount of un-claimed Dividend (in ₹)
1.	2010-11	12063242.50
2.	2011-12	12985461.00
3.	2012-13	13822362.00
	<b>Total</b>	<b>38871065.50</b>

#### SHARE HOLDING PATTERN AS ON MARCH 31, 2014

Share holder Category	Shares*	% Holding
Shares held by Custodians and others against which Depository Receipts have been issued	21025590	2.46
Mutual Funds/UTI	153064801	17.89
Financial Institutions/Bank/Insurance Companies	44804712	5.24
Foreign Institutional Investors	350063954	40.93
Bodies Corporate	77229319	9.03
NRI, Trust, Overseas Corporate Bodies, Foreign Bank, Foreign Body Corporate , LLP, Clearing Member	85640796	10.01
Individual	123482613	14.44
<b>Total</b>	<b>855311785</b>	<b>100.00</b>

\*The shares of the bank have been split from face value of Rs 10/- each to face value of Rs 2/- each w.e.f. 19.10.2013.



**Details of Share holders holding more than 1 % of the shares as on 31.03.2014**

SL.NO	NAME	SHARES	PERCENTAGE
1.	WARHOL LIMITED	42361519	4.95
2	INTERNATIONAL FINANCE CORPORATION	41121195	4.81
3.	FRANKLIN TEMPLETON INVESTMENT FUNDS	34660192	4.05
4.	YUSUFFALI MUSALIAM VEETIL ABDUL KADER	31576820	3.69
5.	LIFE INSURANCE CORPORATION OF INDIA	24592715	2.88
6	MORGAN STANLEY MAURITIUS COMPANY LIMITED	24439833	2.86
7	AMANSA CAPITAL PTE LIMITED A/C AMANSA HOLDINGS PRIVATE LIMITED	21902847	2.56
8	M/S NAPEAN TRADING AND INVESTMENT CO PVT LTD	21804574	2.55
9	GENERAL INSURANCE CORPORATION OF INDIA	18005000	2.11
10	EASTSPRING INVESTMENTS (SINGAPORE) LIMITED A/C THE PRUDENTIAL ASSURANCE COMPANY LIMITED	17436777	2.04
11	BANK MUSCAT S A O G A/C BANK MUSCAT INDIA FUND	16677605	1.95
12	DEUTSCHE BANK TRUST COMPANY AMERICAS	14859545	1.74
13	EQUINOX PARTNERS LP	14300235	1.67
14	MFS INTERNATIONAL NEW DISCOVERY FUND	14223575	1.66
15	M/S REGAL INVESTMENT AND TRADING CO PVT LTD	13870966	1.62
16	HDFC STANDARD LIFE INSURANCE COMPANY LIMITED	10510415	1.23
17	KUROTO FUND LP	9504535	1.11
18	DIMENSIONAL EMERGING MARKETS VALUE FUND.	9157930	1.07
19	FRANKLIN TEMPLETON MUTUAL FUND A/C FRANKLIN INDIA BLUECHIP FUND	8700000	1.02
	Total	389706278	45.57



**DISTRIBUTION OF HOLDINGS AS ON MARCH 31, 2014**

No. of shares held	Holders		Amount	
	No.	%	₹	%
Up to 500	46221	60.56	78215530	0.92
501 - 1000	7927	10.39	65112260	0.76
1001 - 2000	8953	11.73	133643330	1.56
2001 - 3000	5061	6.63	131928260	1.54
3001 - 4000	1686	2.21	59956360	0.70
4001 - 5000	1640	2.15	76198090	0.89
5001 - 10000	2776	3.64	189568070	2.22
ABOVE 10001	2057	2.69	7818495950	91.41
<b>TOTAL</b>	<b>76321</b>	<b>100.00</b>	<b>8553117850</b>	<b>100.00</b>

**LOCATIONS**

With its Head Office at Aluva, the Bank has a network of 1174 Branches across India.

Address for correspondence : The Federal Bank Ltd.  
 Secretarial Department,  
 PB No. 103, Federal Towers,  
 Head Office, Aluva – 683 101,  
 Kerala State, India.  
 E-mail – [secretarial@federalbank.co.in](mailto:secretarial@federalbank.co.in)

Company Secretary : Shri. Girish Kumar Ganapathy  
 Auditors : M/s Deloitte Haskins & Sells , Chennai,  
 M/s M.P.Chitale & Co, Mumbai

**COMPLIANCE WITH THE CODE OF CONDUCT**

I confirm that for the year under review all Directors and members of the Senior Management have affirmed compliance with the Code of Conduct of the Bank.

Shyam Srinivasan  
 29 April, 2014



**AUDITORS' CERTIFICATE**

TO THE MEMBERS OF  
THE FEDERAL BANK LIMITED

We have examined the compliance of conditions of Corporate Governance by The Federal Bank Limited ("the Bank") for the year ended 31st March 2014, as stipulated in clause 49 of the Listing Agreement of the said Bank with the Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Bank for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Bank.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Bank has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Bank nor the efficiency or effectiveness with which the management has conducted the affairs of the Bank.

For **Deloitte Haskins & Sells**  
Chartered Accountants  
(Registration No.008072S)

**M. Ramachandran**  
Partner  
(Membership No.016399)

KOCHI,  
29 April, 2014.

For **M P Chitale & Co.**  
Chartered Accountants  
(Registration No. 101851W)

**Ashutosh Pednekar**  
Partner  
(Membership No.041037)



# Growth for all

## Social engineering

Growth alone can't take a country forward. It should be accompanied by equitable distribution as well. The growth story should embrace all. Its benefits should percolate down to every strata of the society. Or else, it can only create a fractious and bitter nation. At Federal Bank, we are aware of the stellar role to be played by banks and financial institutions in ensuring inclusive growth. So, we have devised a number of products, schemes and services, aimed at the bottom of the period. It is our way of partnering with the less-privileged, enabling social inclusion and upward mobility.

- ▶ Branchless banking model of Financial Inclusion is being implemented through individual Business Facilitators/Correspondents (BFs/BCs).
- ▶ Grama Jeevan/ Ultra small branches for meaningful financial inclusion.
- ▶ Financial literacy and education programmes, with special focus on Government schools and aided higher secondary schools. Classes intended to provide lessons on basic banking concepts to school children.
- ▶ Conducted workshops at Alappuzha and 60 other centres across Kerala to educate the rural folks on financial services offered by banks and the advantages availing those schemes.
- ▶ Base level financial literacy training imparted to Kudumbasree groups, Community Development Societies promoted by the Govt. of Kerala under its Poverty Eradication Scheme.

Your Bank has been in the forefront of implementing initiatives involving financial inclusion. Going forward too, the Bank shall lead from the front in reaching out to the un-included.





Scripting  
a growth story  
with a  
human face.

## INDEPENDENT AUDITORS' REPORT

The Shareholders of  
**The Federal Bank Limited,**  
 Aluva.

### Report on the Financial Statements

1. We have audited the accompanying financial statements of The Federal Bank Limited ("the Bank"), which comprise the Balance Sheet as at 31st March, 2014, the Profit and Loss Account and the Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information. Incorporated in these financial statements are the returns of 78 branches / offices of the Bank audited by one of us and 1125 branches / offices audited by branch auditors.

### Management's Responsibility for the Financial Statements

2. The Bank's Management is responsible for the preparation of these 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 Standards notified under the Companies Act, 1956 ("the Act") (which continue to be applicable in respect of the section 133 of the Companies Act, 2013 in terms of General Circular 15/ 2013 dated 13th September, 2013 of the Ministry of Corporate Affairs) in so far as they apply to the banks and the Guidelines issued by Reserve Bank of India. This responsibility includes the design, implementation and maintenance of internal controls 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

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. 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.

4. 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 judgement, 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 control relevant to the Bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Management, as well as evaluating the overall presentation of the financial statements.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

6. 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 Companies Act, 1956 in the manner so required for banking companies and the Guidelines issued by Reserve Bank of India from time to time and give a true and fair view in conformity with the accounting principles generally accepted in India:
  - (i) in the case of the Balance Sheet, of the state of affairs of the Bank as at 31st March, 2014;
  - (ii) in the case of the Profit and Loss Account of the prof-



- it of the Bank for the year ended on that date; and  
 (iii) in the case of the Cash Flow Statement, of cash flows of the Bank for the year ended on that date.

#### Emphasis of Matter

- 7(a). We draw attention to Note No.2.10 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 ₹ 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.
- 7(b). We draw attention to Note No. 1.12 of Schedule 18 to the Financial Statements, which describes creation of Deferred Tax Liability ("DTL") on Special Reserve under section 36(1)(viii) of the Income Tax Act, 1961 pursuant to RBI's Circular No. DBOD. No.BP.BC.77/21.04.018/2013-14 dated 20th December 2013. The DTL of ₹ 53.96 Cr pertaining to periods upto 31st March, 2013 has been drawn from the Revenue Reserve of the Bank.

Our Opinion is not qualified in respect of these matters.

#### Report on Other Legal and Regulatory Matters

8. As required by Section 227(3) of the Act and 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 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) the returns received from the branches / offices of the Bank not visited by one of us have been found adequate for the purposes of our audit.
9. In our opinion, the Balance Sheet, Profit and Loss Ac-

count and the Cash Flow Statement comply with the Accounting Standards notified under the Act (which continue to be applicable in respect of the section 133 of the Companies Act, 2013 in terms of General Circular 15/ 2013 dated 13th September, 2013 of the Ministry of Corporate Affairs) in so far as they apply to banks.

10. We further report that:

- (i) the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report, are in agreement with the books of account and with the returns received from the branches / offices not visited by any one of us.
- (ii) in our opinion, proper books of account as required by law have been kept by the Bank so far as appears from our examination of those books.
- (iii) the reports on the accounts of the branches audited by branch auditors have been dealt with in preparing our report in the manner considered necessary by us.
- (iv) on the basis of the written representation received from the directors and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2014 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act.

For **Deloitte Haskins & Sells**  
 Chartered Accountants  
 (Registration No.008072S)

For **M P Chitale & Co.**  
 Chartered Accountants  
 (Registration No. 101851W)

**M. Ramachandran**  
 Partner  
 (Membership No.16399)

**Ashutosh Pednekar**  
 Partner  
 (Membership No.041037)

KOCHI,  
 29th April, 2014



## THE FEDERAL BANK LIMITED

BALANCE SHEET AS AT 31<sup>ST</sup> MARCH 2014हजार रुपयों में  
(₹ in Thousands)

31 मार्च 2014 का तुलनपत्र		अनुसूची Schedule	As at 31 March 2014	As at 31 March 2013
पूँजी और ऋण	<b>CAPITAL AND LIABILITIES</b>			
पूँजी	Capital	1	1,710,619	1,710,587
आरक्षितियाँ और अधिशेष	Reserves and Surplus	2	67,795,282	61,936,003
निक्षेप	Deposits	3	597,312,817	576,148,633
उधार	Borrowings	4	56,879,584	51,869,908
अन्य ऋण तथा प्रावधान	Other Liabilities and Provisions	5	22,243,166	18,664,321
जोड़>	<b>Total</b>		<b>745,941,468</b>	<b>710,329,452</b>
संपत्तियाँ	<b>ASSETS</b>			
भारतीय रिज़र्व बैंक में नकदी अधिशेष	Cash and Balances with Reserve Bank of India	6	31,042,930	27,424,961
बैंकों में अतिशेष और मांग पर तथा अल्प सूचना पर प्रत्यधन	Balances with banks and money at call and short notice	7	14,250,860	9,774,943
निधि	Investments	8	241,178,528	211,545,909
अग्रिम	Advances	9	434,361,038	440,967,029
स्थिर आस्तियाँ	Fixed assets	10	4,249,551	3,998,701
अन्य संपत्तियाँ	Other assets	11	20,858,561	16,617,909
जोड़	<b>Total</b>		<b>745,941,468</b>	<b>710,329,452</b>
आकस्मिक ऋण	Contingent liabilities	12	234,819,883	302,459,180
संग्राहण के लिए बिल	Bills for collection		12,095,403	12,266,208
महत्वपूर्ण लेखांकन नीतियाँ	Significant Accounting Policies	17		
लेखा संबन्धी टिप्पणियाँ	Notes on Accounts	18		
अनुसूचियाँ उपर बेलेंस शीट का एक अभिन्न अंग के रूप में	Schedules referred to above form an integral part of the Balance Sheet			

Krishnakumar K  
Deputy General ManagerGirish Kumar Ganapathy  
Company SecretaryD. Sampath  
General Manager & CFOIn terms of our report attached  
For **Deloitte Haskins & Sells**  
Chartered Accountants  
Firm Reg. No.008072SFor **M P Chitale & Co.**  
Chartered Accountants  
Firm Reg.No.101851WM Ramachandran  
Partner  
Membership No.016399Ashutosh Pednekar  
Partner  
Membership No. 041037Place: Kochi  
Date : 29th April, 2014**For and on behalf of the Board of Directors**Abraham Chacko  
Executive DirectorShyam Srinivasan  
Managing Director & CEOProf. Abraham Koshy  
ChairmanDirectors:  
Nilesh S Vikamsey  
Sudhir M Joshi  
K M Chandrasekhar  
Dilip G Sadarangani  
Harish H Engineer  
Grace Elizabeth Koshie

**THE FEDERAL BANK LIMITED**  
**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2014**

हजार रुपयों में  
 (₹ in Thousands)

31 मार्च 2014 समाप्त वर्ष के लिए लाभ हानि लेख		AZggr Schedule	Year ended 31 March 2014	Year ended 31 March 2013
<b>I. आय</b>	<b>I. INCOME</b>			
आर्जित व्याज	Interest earned	13	69,460,806	61,675,657
अन्य आय	Other income	14	6,938,498	6,644,398
<b>जोड़</b>	<b>Total</b>		<b>76,399,304</b>	<b>68,320,055</b>
<b>II. व्यय</b>	<b>II. EXPENDITURE</b>			
व्ययकिया गया व्याज	Interest expended	15	47,174,660	41,929,123
परिचालन व्यय	Operating expenses	16	14,420,708	11,845,389
उपबंध और आकरिमक व्यय	Provision & contingencies		6,415,059	6,163,867
<b>जोड़</b>	<b>Total</b>		<b>68,010,427</b>	<b>59,938,379</b>
<b>III. लाभ/हानि</b>	<b>III. PROFIT / LOSS</b>			
वर्ष के शुद्ध लाभ	Net profit for the year		8,388,877	8,381,676
पिछले वर्ष के अग्रनीत लाभ	Profit brought forward from previous year		5,163,892	2,966,787
			<b>13,552,769</b>	<b>11,348,463</b>
<b>IV. विनियोजन</b>	<b>IV. APPROPRIATIONS</b>			
राजस्व आरक्षितियों को अंतरण	Transfer to Revenue Reserve		1,030,700	1,721,400
कानूनी आरक्षितियों को अंतरण	Transfer to Statutory Reserve		2,097,300	2,095,500
पूंजीगत आरक्षितियों को अंतरण	Transfer to Capital Reserve		179,520	229,500
विशेष आरक्षितियों को अंतरण	Transfer to Special Reserve		382,300	337,000
प्रस्तावित लाभांशों को प्रावधान	Provision for Proposed Dividend		1,710,624	1,539,528
लाभांश करे को प्रावधान	Provision for Tax on Proposed Dividend		278,724	261,643
अतिशेष जो आगे तुलन पत्र में ले जाया गया है।	Balance carried over to Balance Sheet		7,873,601	5,163,892
<b>जोड़</b>	<b>Total</b>		<b>13,552,769</b>	<b>11,348,463</b>
प्रति शेयर अर्जन (₹)	Earnings per Share (Basic and Diluted)		9.81	9.80
(अंकित मूल्य ₹ 2/- प्रत्येक)	(Face Value of ₹ 2/- each)			
अनुसूचि 18 में से नोट 2.1 संदर्भ लें)	(Refer Note 2.1 of Schedule 18)			
महत्वपूर्ण लेखांकन नीतियाँ	Significant Accounting Policies	17		
लेखा संबंधी टिप्पणियाँ	Notes on Accounts	18		
अनुसूचियाँ ऊपर लाभ और हानि रवाता का एक अभिन्न अंग के रूप में	Schedules referred to above form an integral part of Profit and Loss account			

Krishnakumar K  
Deputy General Manager

Girish Kumar Ganapathy  
Company Secretary

D. Sampath  
General Manager & CFO

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

Abraham Chacko  
Executive Director

Prof. Abraham Koshy  
Chairman

Shyam Srinivasan  
Managing Director & CEO

In terms of our report attached  
For **Deloitte Haskins & Sells**  
Chartered Accountants  
Firm Reg. No.0080725

For **M P Chitale & Co.**  
Chartered Accountants  
Firm Reg.No.101851W

Directors:  
Nilesh S Vikamsey  
Sudhir M Joshi  
K M Chandrasekhar  
Dilip G Sadarangani  
Harish H Engineer  
Grace Elizabeth Koshie

M Ramachandran  
Partner  
Membership No.016399

Ashutosh Pednekar  
Partner  
Membership No. 041037

Place: Kochi  
Date : 29th April, 2014



## THE FEDERAL BANK LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2014

(₹ in Thousands)

	Year ended 31 March 2014	Year ended 31 March 2013
<b>Cash Flow from Operating Activities</b>		
<b>Net Profit before taxes</b>	12,119,877	11,937,576
<b>Adjustments for:</b>		
Depreciation on Bank's Property	937,369	786,974
Depreciation on Investments	1,115,918	(414,881)
Amortisation of Premium on Held to Maturity Investments	296,864	221,028
Provision for Non Performing Investments	-	46,700
Provision for Non Performing Assets (Including Bad Debts)	2,282,224	1,892,846
Provision on Standard Assets	127,000	493,400
Profit on sale of fixed assets (net)	(12,753)	(1,908)
Provision for Restructured assets	(844,306)	676,826
Provision for Other Contingencies	3,223	(36,925)
	<b>16,025,416</b>	<b>15,601,636</b>
<b>Adjustments for working capital changes:-</b>		
(Increase)/ Decrease in Investments (excluding Held to Maturity Investments)	(24,859,250)	(4,055,894)
(Increase)/ Decrease in Advances	4,323,767	(65,300,016)
(Increase)/ Decrease in Other Assets	(292,753)	(15,058)
Increase/ (Decrease) in Deposits	21,164,184	86,777,412
Increase/ (Decrease) in Other liabilities and provisions	2,295,152	904,291
Direct taxes paid	(6,408,899)	(4,920,624)
<b>Net Cash flow from Operating Activities</b>	<b>12,247,617</b>	<b>28,991,747</b>
<b>Cash Flow from Investing Activities</b>		
Purchase of Fixed Assets	(1,207,357)	(1,487,356)
Proceeds from Sale of Fixed Assets	29,917	12,681
(Increase)/ Decrease in Held to Maturity Investments	(6,186,152)	(33,317,985)



## THE FEDERAL BANK LIMITED

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2014 (Continued...)

	Year ended 31 March 2014	Year ended 31 March 2013
<b>Cash Flow from Financing Activities</b>		
Proceeds from Issue of Share Capital (ESOS)	32	116
Proceeds from Share Premium	1,324	4,777
Repayment of Subordinate Debt	-	(760,000)
Increase/(Decrease) in Borrowings	5,009,676	10,219,567
Dividend Paid (Including Tax on Dividend)	(1,801,171)	(1,789,157)
<b>Net Cash generated from financing Activities</b>	<b>3,209,861</b>	<b>7,675,303</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>8,093,886</b>	<b>1,874,390</b>
<b>Cash and Cash Equivalents at the beginning of year</b>	<b>37,199,904</b>	<b>35,325,514</b>
<b>Cash and Cash Equivalents at the end of year</b>	<b>45,293,790</b>	<b>37,199,904</b>

**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  
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For **M P Chitale & Co.**  
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Directors:

Nilesh S Vikamsey

Sudhir M Joshi

K M Chandrasekhar

Dilip G Sadarangani

Harish H Engineer

Grace Elizabeth Koshie

M Ramachandran  
Partner  
Membership No. 016399

Ashutosh Pednekar  
Partner  
Membership No. 041037

Place: Kochi

Date : 29th April, 2014



**THE FEDERAL BANK LIMITED**  
**SCHEDULES FORMING PART OF BALANCE SHEET**

(₹ in Thousands)

	As at 31 March 2014	As at 31 March 2013
<b>SCHEDULE 1 - CAPITAL</b>		
<b>Authorised Capital</b> 250,00,00,000 equity shares of ₹2 each (Previous year 20,00,00,000 equity shares of ₹10 each)	5,000,000	2,000,000
<b>Issued Capital</b> [85,66,63,830 equity shares of ₹2/-each (Previous year 17,13,29,541 shares of ₹10/- each)	1,713,327	1,713,295
<b>Subscribed, Called up and Paid up Capital</b> 85,53, 11,785 equity shares of ₹ 2/- each (Previous year 17,10,59,132 shares of ₹10 /- each)	1,710,623	1,710,591
<b>Less: Calls in arrears</b>	4	4
<b>Total</b>	<b>1,710,619</b>	<b>1,710,587</b>
<b>Note:</b> i) The authorised capital was increased from ₹ 200Crores to ₹ 500 Crores as per the resolution passed by the shareholders on 82nd Annual General Meeting held on 20th July 2013. ii) The face value of each equity share of ₹10/- was sub-divided into 5 (Five) Equity Shares of ₹ 2/- each with effect from 19th October 2013, Pursuant to the approval of the Shareholders at the 82nd Annual General Meeting held on 20th July 2013. iii) Also refer Note No: 2.2 in Schedule 18		



THE FEDERAL BANK LIMITED  
SCHEDULES FORMING PART OF BALANCE SHEET

(₹ in Thousands)

	As at 31 March 2014	As at 31 March 2013
<b>SCHEDULE 2 - RESERVES AND SURPLUS</b>		
<b>I. Statutory Reserve</b>		
Opening balance	12,790,176	10,694,676
Additions during the year	2,097,300	2,095,500
	<b>14,887,476</b>	<b>12,790,176</b>
<b>II. Capital Reserves</b>		
<b>(a) Revaluation Reserve</b>		
Opening balance	52,065	54,142
Deductions during the year	1,974	2,077
	<b>50,091</b>	<b>52,065</b>
<b>(b) Others</b>		
Opening balance	1,885,693	1,656,193
Additions during the year	179,520	229,500
	<b>2,065,213</b>	<b>1,885,693</b>
	<b>2,115,304</b>	<b>1,937,758</b>
<b>III. Share premium</b>		
Opening balance	24,760,633	24,755,856
Additions during the year	1,324	4,777
	<b>24,761,957</b>	<b>24,760,633</b>
<b>IV. Revenue and Other Reserves</b>		
<b>a) Revenue Reserve</b>		
Opening Balance	12,927,741	11,206,341
Additions during the year	1,030,700	1,721,400
Deductions during the year	539,600	-
(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 1.12 of Schedule 18)		
	<b>13,418,841</b>	<b>12,927,741</b>
<b>b) Investment Fluctuation Reserve</b>		
Opening Balance	1,897,200	1,897,200
Additions during the year	-	-
	<b>1,897,200</b>	<b>1,897,200</b>
<b>c) Special Reserve (As per section 36(1)(viii) of Income Tax Act, 1961)</b>		
Opening balance	2,157,600	1,820,600
Addition during the year	382,300	337,000
	<b>2,539,900</b>	<b>2,157,600</b>
<b>V. Contingency Reserve</b>		
Opening balance	301,003	301,003
	<b>301,003</b>	<b>301,003</b>
<b>VI. Balance in Profit and Loss Account</b>		
	<b>7,873,601</b>	<b>5,163,892</b>
<b>Total</b>	<b>67,795,282</b>	<b>61,936,003</b>



**THE FEDERAL BANK LIMITED**  
**SCHEDULES FORMING PART OF BALANCE SHEET**

(₹ in Thousands)

	As at 31 March 2014	As at 31 March 2013
<b>SCHEDULE 3 - DEPOSITS</b>		
A. I. Demand Deposits		
i. From Banks	1,226,606	592,963
ii. From Others	32,569,220	28,496,439
	<b>33,795,826</b>	<b>29,089,402</b>
II. Savings Bank Deposits	<b>152,842,589</b>	<b>127,431,909</b>
III. Term Deposits		
i. From Banks	6,974,416	6,276,618
ii. From Others	403,699,986	413,350,704
	<b>410,674,402</b>	<b>419,627,322</b>
Total	<b>597,312,817</b>	<b>576,148,633</b>
B. I. Deposits of branches in India	597,312,817	576,148,633
II. Deposits of branches outside India	-	-
<b>Total</b>	<b>597,312,817</b>	<b>576,148,633</b>
<b>SCHEDULE 4 - BORROWINGS</b>		
I. Borrowings in India		
i. Reserve Bank of India	4,450,000	3,300,000
ii. Other Banks #	322,000	322,000
iii. Other institutions and agencies ##	41,011,343	34,339,160
	<b>45,783,343</b>	<b>37,961,160</b>
II. Borrowings outside India	<b>11,096,241</b>	<b>13,908,748</b>
<b>Total</b>	<b>56,879,584</b>	<b>51,869,908</b>
Secured borrowings included in I and II above	15,364,797	4,997,198
# Represents Subordinated Debt in the nature of Non Convertible debentures.		
## Borrowings from other Institutions and agencies include Subordinated Debt of ₹ 19,78,000 Thousands (Previous Year ₹19,78,000 Thousands) in the nature of Non Convertible Debentures.		
<b>SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS</b>		
I. Bills Payable	228,420	302,265
II. Inter - office adjustments (Net)	1,928,272	1,856,540
III. Interest accrued	1,726,253	687,622
IV. Others (including provisions)*	18,360,221	15,817,894
<b>Total</b>	<b>22,243,166</b>	<b>18,664,321</b>
*Includes :-		
(a) Contingent provision against standard assets	2,455,781	2,453,781
(b) Proposed Dividend	1,710,624	1,539,528
(c) Tax on Proposed Dividend	278,724	261,643
(d) Deferred Tax Liability (Net)	2,856,600	-



**THE FEDERAL BANK LIMITED**  
**SCHEDULES FORMING PART OF BALANCE SHEET**

(₹ in Thousands)

	As at 31 March 2014	As at 31 March 2013
<b>SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA</b>		
I. Cash in hand (including foreign currency notes)	6,042,367	5,288,505
II. Balance with Reserve Bank of India		
i. in Current Accounts	25,000,563	22,136,456
ii. in Other Accounts	-	-
<b>Total</b>	<b>31,042,930</b>	<b>27,424,961</b>
<b>SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE</b>		
I. In India		
i. Balances with banks		
a. in Current Accounts	1,548,823	1,004,261
b. in Other Deposit Accounts	4,183,956	5,885,600
ii. Money at call and short notice		
a. With Banks	-	-
b. With other institutions	-	-
<b>Total</b>	<b>5,732,779</b>	<b>6,889,861</b>
II. Outside India		
i. in Current Accounts	129,981	170,832
ii. in Other Deposit Accounts	8,388,100	2,714,250
iii. Money at call and short notice	-	-
<b>Total</b>	<b>8,518,081</b>	<b>2,885,082</b>
<b>Grand Total (I and II)</b>	<b>14,250,860</b>	<b>9,774,943</b>



**THE FEDERAL BANK LIMITED**  
**SCHEDULES FORMING PART OF BALANCE SHEET**

(₹in Thousands)

	As at 31 March 2014	As at 31 March 2013
<b>SCHEDULE 8 - INVESTMENTS</b>		
I. Investments in India in :		
i. Government Securities ## **	158,230,694	145,750,543
ii. Other approved Securities	-	-
iii. Shares	1,757,652	2,564,217
iv. Debentures and Bonds	12,417,680	8,017,423
v. Subsidiaries/ Joint Ventures	3,980,000	3,980,000
vi. Others [Mutual Fund units, CD/CP, Priority Sector Deposits, Pass Through Certificates (PTCs) etc.] @	64,792,502	51,233,726
<b>Total</b>	<b>241,178,528</b>	<b>211,545,909</b>
II. Investments outside India	-	-
<b>Grand Total (I and II)</b>	<b>241,178,528</b>	<b>211,545,909</b>
Gross Investments	242,284,750	211,691,397
Less: Depreciation/ Provision for Investments	1,106,222	145,488
	<b>241,178,528</b>	<b>211,545,909</b>
## Securities costing ₹ 1,575,571 Thousands ( Previous Year ₹ 1,447,241 Thousands ) pledged for clearing facility and margin requirements		
@ Includes priority sector shortfall deposits ₹ 35,053,818 Thousands (previous year ₹ 24,997,387 Thousands) and PTCs of ₹1,057,166 Thousands (Previous year ₹ 77,022 Thousands) net of depreciation , if any.		
** Net of Repo borrowing of ₹ 27,768,000 Thousands (previous year ₹ 14,700,000 Thousands) under the Liquidity Adjustment Facility in line with the RBI requirements		



**THE FEDERAL BANK LIMITED**  
**SCHEDULES FORMING PART OF BALANCE SHEET**

(₹ in Thousands)

	As at 31 March 2014	As at 31 March 2013
<b>SCHEDULE 9 - ADVANCES (NET OF PROVISIONS)</b>		
A. i. Bills purchased and discounted	13,028,687	14,938,824
ii. Cash credits, overdrafts and loans repayable on demand	229,774,824	265,154,471
iii. Term loans	191,557,527	160,873,734
<b>Total</b>	<b>434,361,038</b>	<b>440,967,029</b>
B. i. Secured by tangible assets \$	374,677,783	340,827,603
ii. Covered by Bank/Government guarantees #	20,433,617	26,926,169
iii. Unsecured	39,249,638	73,213,257
<b>Total</b>	<b>434,361,038</b>	<b>440,967,029</b>
C. I. Advances in India		
i. Priority Sectors	155,132,546	114,956,971
ii. Public Sector	7,718,318	22,666,528
iii. Banks	46,614	29,641
iv. Others	271,463,560	303,313,889
<b>Total</b>	<b>434,361,038</b>	<b>440,967,029</b>
II. Advances outside India	-	-
<b>Grand Total (C I and C II)</b>	<b>434,361,038</b>	<b>440,967,029</b>
\$ Includes Advances against book debts		
# Includes advances against L/Cs issued by banks		



THE FEDERAL BANK LIMITED  
SCHEDULES FORMING PART OF BALANCE SHEET

(₹ in Thousands)

	As at 31 March 2014	As at 31 March 2013
<b>SCHEDULE 10 - FIXED ASSETS</b>		
<b>I OWNED ASSETS</b>		
<b>a. Premises #</b>		
<b>Gross Block</b>		
At the beginning of the year	2,231,549	2,205,630
Additions during the year	32,003	25,919
Deductions during the year	-	-
<b>Closing Balance</b>	<b>2,263,552</b>	<b>2,231,549</b>
<b>Depreciation</b>		
As at the beginning of the year	628,015	568,870
Charge for the Year	56,715	59,145
Deductions during the year	-	-
<b>Depreciation to date</b>	<b>684,730</b>	<b>628,015</b>
<b>Net Block</b>	<b>1,578,822</b>	<b>1,603,534</b>
<b>b. Other fixed assets</b> (including furniture and fixtures)		
<b>Gross Block</b>		
At the beginning of the year	6,056,767	4,676,459
Additions during the year	973,105	1,487,259
Deductions during the year	119,655	106,951
<b>Closing Balance</b>	<b>6,910,217</b>	<b>6,056,767</b>
<b>Depreciation</b>		
As at the beginning of the year	3,689,389	3,055,661
Charge for the year	882,628	729,906
Deductions during the year	106,325	96,178
<b>Depreciation to date</b>	<b>4,465,692</b>	<b>3,689,389</b>
<b>Net Block</b>	<b>2,444,525</b>	<b>2,367,378</b>
<b>II ASSETS GIVEN ON LEASE</b>		
<b>Gross Block</b>		
At the beginning of the year	31,013	31,013
Additions during the year	-	-
Deductions during the year	31,013	-
<b>Closing Balance</b>	<b>-</b>	<b>31,013</b>
<b>Depreciation</b>		
As at the beginning of the year	27,179	27,179
Charge for the year	-	-
Deductions during the year	27,179	-
<b>Depreciation to date</b>	<b>-</b>	<b>27,179</b>
<b>Net Block</b>	<b>-</b>	<b>3,834</b>
<b>III. Capital Work in progress (Including Capital Advances)</b>	<b>226,204</b>	<b>23,955</b>
<b>Total (I , II &amp; III)</b>	<b>4,249,551</b>	<b>3,998,701</b>
<i># Includes buildings constructed on leasehold land at different places having original cost of ₹ 655,216 Thousands (Previous Year ₹655,216 Thousands) and Written down value of ₹534,357 Thousands (Previous Year ₹549,014 Thousands) with remaining lease period varying from 60 -72 years</i>		



**THE FEDERAL BANK LIMITED**  
**SCHEDULES FORMING PART OF BALANCE SHEET**

(₹ in Thousands)

	As at 31 March 2014	As at 31 March 2013
<b>SCHEDULE 11 - OTHER ASSETS</b>		
I. Inter - office adjustments (net)	-	-
II. Interest accrued	5,069,282	4,273,812
III. Tax paid in advance/tax deducted at source (Net of provision)	10,875,609	5,673,810
IV. Stationery and Stamps	35,017	29,734
V. Non-banking assets acquired in satisfaction of claims	4,439	27,858
VI. Others @	4,874,214	6,612,695
<b>Total</b>	<b>20,858,561</b>	<b>16,617,909</b>
@ Includes Deferred Tax Asset (Net)	-	1,253,900
<b>SCHEDULE 12 - CONTINGENT LIABILITIES</b>		
I. Claims against the Bank not acknowledged as debts	3,273,140	7,301,798
II. Liability on account of outstanding forward exchange contracts	182,064,511	245,319,772
III. Guarantees given on behalf of constituents - in India	37,327,370	36,966,166
IV. Acceptances, endorsements and other obligations	12,154,862	12,338,376
V. Other items for which the Bank is contingently liable	-	533,068
<b>Total</b>	<b>234,819,883</b>	<b>302,459,180</b>



**THE FEDERAL BANK LIMITED**  
**SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT**

(₹ in Thousands)

	Year ended 31 March 2014	Year ended 31 March 2013
<b>SCHEDULE 13 - INTEREST EARNED</b>		
I. Interest/discount on advances/bills	50,110,836	46,356,627
II. Income on investments	17,768,285	14,645,987
III. Interest on balances with Reserve Bank of India and other inter-bank funds	523,541	563,557
IV. Others	1,058,144	109,486
<b>Total</b>	<b>69,460,806</b>	<b>61,675,657</b>
<b>SCHEDULE 14 - OTHER INCOME</b>		
I. Commission, exchange and brokerage	3,338,389	3,046,834
II. Profit on sale of investments (Net)	1,562,329	2,057,560
III. Profit on revaluation of investments (Net)	-	-
IV. Profit on sale of land, buildings and other assets (Net)	12,753	1,908
V. Profit on foreign exchange transactions (Net)	1,250,941	793,960
VI. Income earned by way of dividends etc. from companies in India	147,166	58,874
VII. Miscellaneous income [Includes Recoveries in assets written off ₹ 415,324 Thousands (Previous Year ₹ 481, 213 Thousands)]	626,920	685,262
<b>Total</b>	<b>6,938,498</b>	<b>6,644,398</b>



THE FEDERAL BANK LIMITED THE FEDERAL BANK LIMITED  
SCHEDULES FORMING PART OF PROFIT AND LOSS ACCOUNT

(₹ in Thousands)

	Year ended 31 March 2014	Year ended 31 March 2013
<b>SCHEDULE 15 - INTEREST EXPENDED</b>		
I. Interest on deposits	42,094,557	38,375,495
II. Interest on Reserve Bank of India/Inter bank borrowings	1,121,393	779,355
III. Others	3,958,710	2,774,273
<b>Total</b>	<b>47,174,660</b>	<b>41,929,123</b>
<b>SCHEDULE 16 - OPERATING EXPENSES</b>		
I. Payments to and provisions for employees	7,715,393	6,314,594
II. Rent, taxes and lighting	1,612,409	1,327,280
III. Printing and stationery	154,430	126,446
IV. Advertisement and publicity	206,250	126,921
V. Depreciation on Bank's property Less: Depreciation on revaluation of Premises transferred from Revaluation Reserve	939,343 <u>1,974</u> 937,369	789,051 <u>2,077</u> 786,974
VI. Directors' fees, allowances and expenses	11,476	7,738
VII. Auditors' fees and expenses (including branch auditors fees and expenses)	57,559	52,668
VIII. Law charges	43,404	57,931
IX. Postage, Telegrams, Telephones etc	434,685	323,205
X. Repairs and maintenance	413,152	438,544
XI. Insurance	579,437	472,681
XII. Other expenditure	2,255,144	1,810,407
<b>Total</b>	<b>14,420,708</b>	<b>11,845,389</b>



**THE FEDERAL BANK LIMITED****SCHEDULE 17 : SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED 31 MARCH, 2014****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 by a small group of local citizens. It embarked on a phase of sustained growth under the leadership of Late K.P. Hormis. The Bank has a network of 1203 branches / offices in India and provides retail and corporate banking, para banking activities such as debit card, third party product distribution, in addition to treasury and foreign exchange business. The bank is governed by Banking Regulation Act, 1949 and other applicable Acts/ Regulations. The Bank's shares are listed in the Bombay Stock Exchange Limited, National Stock Exchange of India Limited and Cochin Stock Exchange 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 and presented under the historical cost convention on the accrual basis of accounting, and comply with the generally accepted accounting principles, statutory requirements prescribed under the Banking Regulation Act, 1949, the circulars and guidelines issued by the Reserve Bank of India ('RBI') from time to time and the Accounting Standards notified under Section 211(3C) of the Companies Act, 1956 ("the 1956 Act") (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 ("the 2013 Act") in terms of General Circular 15/2013 dated 13th September, 2013 of the Ministry of Corporate Affairs) and the relevant provisions of the 1956 Act/ 2013 Act, as applicable and current practices prevailing within the banking industry in India.

**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 and floating provisions. 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.

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%



## THE FEDERAL BANK LIMITED

### SCHEDULE 17 : SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED 31 MARCH, 2014 (Contd...)

in respect of advances classified as commercial real estate, 2.75% 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 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 between Categories

Transfer 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 – Each security in this category is valued at the market price or fair value and the net depreciation of each group is recognised in the Profit and Loss account. Net appreciation, if any, is ignored.

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

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. Any diminution, other than temporary, in the value of such



**THE FEDERAL BANK LIMITED****SCHEDULE 17 : SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED 31 MARCH, 2014 (Contd...)**

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. 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 insecurity 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



**THE FEDERAL BANK LIMITED****SCHEDULE 17 : SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED 31 MARCH, 2014 (Contd...)**

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.

**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 forward exchange contracts including 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 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 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.

Premises which were revalued are stated at such values on revaluation and the appreciation credited to the Revaluation Reserve.



**THE FEDERAL BANK LIMITED****SCHEDULE 17 : SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED 31 MARCH, 2014 (Contd...)**

Depreciation is provided on the written down value from the date of addition at the rates prescribed in Schedule XIV to the Companies Act, 1956 except in the following cases where higher rate of depreciation has been provided on a straight – line basis.

Asset	Rate of Depreciation	
	2013-14	2012-13
Computers and Accessories, Mobile Phones, EPABX	33.33%	33.33%
Software Expenditure	33.33%	33.33%
Improvements to leased premises	20.00%	20.00%

Depreciation on assets revalued has been charged on their written-down value including the addition made on revaluation, and an equivalent amount towards the additional depreciation provided consequent upon revaluation has been transferred from the Revaluation Reserve to the Profit and Loss Account.

All fixed assets individually costing less than ₹5,000/- are fully depreciated in the year of installation.

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 amounts of assets are reviewed at each Balance Sheet date to ascertain if there is any indication of impairment based on internal/external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital. After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

**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 notified under Section 211(3C) of the Companies Act, 1956 and the RBI guidelines.



## THE FEDERAL BANK LIMITED

### SCHEDULE 17 : SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED 31 MARCH, 2014 (Contd...)

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 or loss arising on sale of NPAs is accounted as per the guidelines prescribed by the RBI, which require provisions to be made for any deficit (where sale price is lower than the net book value), while surplus (where sale price is higher than the net book value) is ignored.

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.

Depreciation on non-performing leased assets (NPAs) is provided on written-down value as per the Companies Act 1956, by directly charging to Profit & Loss Account without any corresponding adjustment in the Lease Adjustment Account. In addition to depreciation, provision is also made for non-performing leased assets as per RBI guidelines.

#### 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 FEDERAL BANK LIMITED

### SCHEDULE 17 : SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED 31 MARCH, 2014 (Contd...)

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**

Provision for probable redemption of debit card reward points is based on actuarial valuation report of an 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 year taxes are determined in accordance with the Income tax Act, 1961. Deferred income taxes reflect the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the Balance Sheet date. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the taxes on income levied by same governing taxation laws. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. The impact of changes in the deferred tax assets and liabilities is recognised in the Profit and Loss Account.

Deferred tax assets are recognised and reassessed at each reporting date, based upon the Management's judgement as to whether realisation is considered as reasonably certain. Deferred tax assets are recognised on carry forward of unabsorbed depreciation and tax losses only if there is virtual certainty that such deferred tax asset can be realised against future profits.

#### **4.16 Earnings per Share**

The Bank reports basic and diluted earnings per share in accordance with AS 20, Earnings per Share, as notified under Section 211(3C) of the Companies Act, 1956. Basic earnings per share is computed by dividing the net profit after tax by



**THE FEDERAL BANK LIMITED**

## SCHEDULE 17 : SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED 31 MARCH, 2014 (Contd...)

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 event where 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 are not discounted to its present value and are determined based on best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates.

A disclosure of contingent liability is made when there is:

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

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

Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.



**THE FEDERAL BANK LIMITED****SCHEDULE 18:****NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2014****1. Disclosures as per RBI's Master Circular on Disclosure in Financial Statements****1.1. Capital Adequacy Ratios**

**A. Capital Adequacy Ratio as per RBI guidelines (Basel III Capital Regulations dated July 01, 2013) as at March 31, 2014 is given below:**

(₹ in Crore)

Basel III	As at 31 March, 2014
Common Equity Tier I	6720.21
Tier-I Capital	6720.21
Tier -II Capital	252.21
Total Capital	6972.42
Total risk weighted assets and contingencies	46041.34
Capital Ratios	
Common Equity Tier I	14.59%
Tier-I Capital	14.59%
Tier -II Capital	0.55%
Total CRAR	15.14%
Percentage of the shareholding of the Government of India in nationalized banks	NA
Amount of Equity Capital Raised	-
Amount of Addition Tier I Capital raised of which:	
Perpetual Non- Cumulative Preference Shares (PNCPS)	-
Perpetual Debt Instruments (PDI)	-
Amount of Addition Tier II Capital raised of which:	
Debt Capital instruments	
Perpetual Capital Instruments	-

The capital adequacy ratio computed under Basel III Capital Regulations is applicable from financial year 2013-14 and accordingly, corresponding details under Basel III for previous year are not applicable.

**B. Capital Adequacy ratios as per RBI guidelines (New Capital Adequacy Framework (NCAF) dated July 02, 2012, generally referred to as Basel II) as at March 31, 2013 is given below:**

(₹ in Crore)

Particulars	31st March, 2013
	Basel II
Tier I Capital	6139.06
Tier II Capital	278.72
Total Capital	6417.78
Total Risk Weighted Assets and Contingencies	43559.63
Capital Ratios	
i) Capital to Risk Assets Ratio (CRAR) - Tier I Capital Ratio	14.09%
ii) CRAR - Tier II Capital Ratio	0.64%
iii) TotalCRAR	14.73%
iv) Percentage of the shareholding of the Government of India in nationalized banks	NA
v) Amount of subordinated Debt raised as Tier II capital (₹Crore)	Nil
vi) Amount raised by issue of IPDI (₹Crore)	Nil
vii) Amount raised by issue of Upper Tier-II Instruments (₹Crore)	Nil

The computation of Capital Adequacy Ratios is compiled by the management and relied upon by the Auditors.



## THE FEDERAL BANK LIMITED

## SCHEDULE 18:

## NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS (Contd...)

## 1.2. The Key business ratios and other information:

Particulars	As at 31st March 2014	As at 31st March 2013
(i) Interest Income as a percentage to Working Funds* (%)	9.90	9.93
(ii) Non-interest income as a percentage to Working Funds* (%)	0.99	1.07
(iii) Operating Profit as a percentage to Working Funds* (%)	2.11	2.35
(iv) Return on Assets [ Based on Working Fund] *(%)	1.20	1.35
(v) Business (Deposits less inter-bank deposits plus advances) per employee (₹Crore)**	9.97	10.75
(vi) Profit per employee (₹Crore)**	0.08	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 / As at	31st March 2014	31st March 2013
i)	Provision towards NPAs (net)	228.22	189.28
ii)	Provision for Depreciation in Value of Investments (Net)	111.59	(41.49)
iii)	Provision for Non - Performing Investments	-	4.67
iv)	Provision for Standard Assets	12.70	49.34
v)	Provision for Taxation :		
	Current Tax	198.00	514.81
	Deferred tax	252.39	(159.22)
	Mat Credit entitlement	(77.29)	-
vi)	Provision towards Present Value of sacrifice on restructuring, other contingencies etc.	(84.11)	59.00
	<b>Total</b>	<b>641.50</b>	<b>616.39</b>



## THE FEDERAL BANK LIMITED

## SCHEDULE 18:

## NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS (Contd...)

## 1.4. Investments

## 1.4.1. Details of Investments:

(₹ in Crore)

Particulars	31 March 2014	31 March 2013
(1) Value of Investments		
(i) Gross Value of Investments		
(a) In India	24228.47	21169.14
(b) Outside India,	-	-
(ii) Provisions for Depreciation		
(a) In India	105.95	9.88
(b) Outside India,	-	-
(iii) Provisions for Non-Performing Investments		
(a) In India	4.67	4.67
(b) Outside India,	-	-
(iv) Net Value of Investments		
(a) In India	24117.85	21154.59
(b) Outside India	-	-
(2) Movement of provision held towards depreciation on Investments.		
(i) Opening balance	9.88	51.37
(ii) Add: Provisions made during the year	96.07	-
(iii) Less: Write - off/write - back of excess provisions during the year	-	41.49
(iv) Closing balance	105.95	9.88
(3) Movement of provision for Non Performing Investments (NPI)		
(i) Opening Balance	4.67	-
(ii) Add: Provision made during the year	-	4.67
(iii) Less: Write - off/Write back of excess provisions during the year	-	-
(iv) Closing Balance	4.67	4.67



## THE FEDERAL BANK LIMITED

## SCHEDULE 18:

## NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS (Contd...)

1.4.2. a) Investments under HTM (excluding specified investments as per RBI norms) account for 24.17% (previous year 23.84%) of demand and time liabilities as at the end of March 2014 as against permitted ceiling of 25% stipulated by RBI.

b) In respect of securities held under HTM category premium of ₹29.69Crore (previous year :₹22.10Crore) 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 ₹36.26Crore (previous year :₹45.30Crore) has been taken to Profit and Loss Account. During the year the Bank had appropriated ₹17.95Crore (previous year:₹22.95Crore) 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.

**1.4.3. Repo Transactions**

Details of securities sold/purchased (in face value terms) during the years ended 31stMarch, 2014 and 31stMarch, 2013 under repos/reverse repos (excluding LAF transactions):

(₹ in Crore)

Particulars	Outstanding during the year			Outstanding as on
	Minimum	Maximum	Daily Average	31/03/2014/ (31/03/2013)
<b>A) Securities sold under REPOs</b>				
i) Government Securities	- (-)	2670 (2400.00)	630.91 (319.53)	2670 (1400.00)
ii) Corporate Debt Securities	- (-)	- (-)	- (-)	- (-)
<b>Securities purchased under REVERSE REPOs</b>				
i) Government Securities	- (-)	425 (-)	2.78 (-)	- (-)
ii) Corporate Debt Securities	- (-)	- (-)	- (-)	- (-)
<b>B) Securities sold under Market REPOs</b>				
i) Government Securities	- (-)	191.18 (-)	3.52 (-)	- (-)
ii) Corporate Debt Securities	- (-)	- (-)	- (-)	- (-)
<b>Securities purchased under REVERSE Market REPOs</b>				
i) Government Securities	- (-)	604.93 (-)	16.98 (-)	- (-)
ii) Corporate Debt Securities	- (-)	- (-)	- (-)	- (-)

(Previous year's figures are given in brackets)



## THE FEDERAL BANK LIMITED

## SCHEDULE 18:

## NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS (Contd...)

## 1.4.4. Details of Non-SLR investment portfolio

a) Issuer composition as at 31 March, 2014 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	506.02 (73.80)	496.92 (52.00)	426.10 (-)	106.10 (-)	- (-)
2	Financial Institutions	45.17 (51.02)	40.17 (50.50)	- (-)	- (-)	5.00 (-)
3	Banks	2745.50 (2651.41)	121.92 (89.68)	15.00 (-)	- (-)	- (-)
4	Private Corporates	674.47 (810.41)	425.03 (525.93)	156.59 (27.86)	11.87 (11.46)	79.98 (78.45)
5	Subsidiaries/ Joint ventures	398.00 (398.00)	398.00 (398.00)	- (-)	- (-)	398.00 (398.00)
6	Others	3936.48 (2602.74)	431.01 (99.72)	- (-)	- (-)	- (-)
7	Less: Provision held towards depreciation	10.85 (7.85)	xx	Xx	xx	xx
	Total	8294.79 (6579.53)	1913.05 (1215.83)	597.69 (27.86)	117.97 (11.46)	482.98 (476.45)

Previous year's figures are given in brackets

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

\*\* Excluding Investments in Shares ₹181.82Crore (Previous Year ₹262.98Crore)

\*\*\* Excluding Investments in Pass through Certificates ₹105.72Crore (Previous Year ₹7.70Crore)

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

(₹ in Crore)

Particulars	31 March 2014	31 March 2013
Shares	175.77	256.42
Debentures and Bonds	1241.77	801.74
Subsidiaries/Joint Ventures	398.00	398.00
Others	6479.25	5123.37
Total	8294.79	6579.53



**THE FEDERAL BANK LIMITED****SCHEDULE 18:****NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS (Contd...)****c) Non-performing Non-SLR investments is set out below:**

(₹ in Crore)

Particulars	31 March 2014	31 March 2013
Opening Balance	4.67	-
Additions during the year	-	4.67
Reductions during the year	-	-
Closing Balance	4.67	4.67
Total Provisions held	4.67	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 2014	31 March 2013
(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 2014	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 2014	31 March 2013
i)	The notional principal of swap agreements	1250.00	1250.00
ii)	Losses which would be incurred if counter parties failed to fulfil their obligations under the agreements	17.05	4.94
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	0.02	0.67



**THE FEDERAL BANK LIMITED****SCHEDULE 18:****NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS (Contd...)**

The nature and terms of the IRS as on 31 March, 2014 are set out below:

(₹ in Crore)

Nature	Nos.	Notional Principal	Benchmark	Terms
Hedging				
Trading	25	625	NSE MIBOR	Fixed payable v/s floating receivable
Trading	25	625	NSE MIBOR	Fixed Receivable/floating payable

The nature and terms of the IRS as on 31 March, 2013 are set out below:

(₹ in Crore)

Nature	Nos.	Notional Principal	Benchmark	Terms
Hedging				
Trading	25	625	NSE MIBOR	Fixed payable v/s floating receivable
Trading	25	625	NSE MIBOR	Fixed Receivable/floating payable

The Bank has changed its policy on valuation of swap contracts against the overseas borrowings, by amortising the cost over the period of swap tenure, with effect from 01.04.2013, as against the earlier practice of writing back/writing off the mark-to-market gain or loss at the end of each reporting period. This change in policy does not have any financial impact over the full period of swap.

However, the impact of change in the policy on valuation and amortization as described above is decrease in profit by ₹438.33Lakhs(net of tax) for the year ended 31st March, 2014. Had this policy been adopted in the previous year, the effect would have been decrease in profit by ₹98.14Lakhs (net of tax) for the year ended 31st March, 2013.

The bank has not under taken any transaction in Credit Default Swaps (CDS) during the year 31 March, 2014 and 31 March, 2013

### 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, ie, front office, mid office and back office under the charge of Assistant General Managers with overall supervision and controlled by President – Treasury. Derivative deals are generally executed for market making. Although fresh derivative deals 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.



## THE FEDERAL BANK LIMITED

## SCHEDULE 18:

## NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS (Contd...)

**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)

As at 31 March, 2014			
Sl. No	Particulars	Currency Derivatives	Interest rate Derivatives
	Derivatives (Notional Principal Amount)		
	a) For hedging		
	b) For trading	-	1250
	Marked to Market positions (1)		
	a) Asset (+)	-	17.05
	b) Liabilities (-)	-	-17.03
	Credit Exposure (2)		29.55
	Likely impact of one percentage change in interest rate (100*PV01)		
	a) on hedging derivatives	-	-
	b) on trading derivatives	-	0.003
	Maximum and Minimum of 100*PV01 observed during the year		
	a) on hedging	-	
	b) on trading	-	Max 0.003 Min 0.003

(₹ in Crore)

As at 31 March, 2013			
Sl. No	Particulars	Currency Derivatives	Interest rate Derivatives
	Derivatives (Notional Principal Amount)		
	a) For hedging		
	b) For trading	-	1250
	Marked to Market positions (1)		
	a) Asset (+)	-	4.94
	b) Liabilities (-)	-	-4.27
	Credit Exposure (2)		17.44
	Likely impact of one percentage change in interest rate (100*PV01)		
	a) on hedging derivatives	-	-
	b) on trading derivatives	-	0.003
	Maximum and Minimum of 100*PV01 observed during the year		
	a) on hedging	-	
	b) on trading	-	Max 0.017 Min 0.003



## THE FEDERAL BANK LIMITED

## SCHEDULE 18:

## NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS (Contd...)

## 1.6. Asset Quality

## 1.6.1 Net non-performing assets

Particulars	31 March, 2014 %	31 March, 2013 %
Net non-performing assets as a percentage of net advances.	0.74	0.98

## 1.6.2 Movement in gross non-performing assets

(₹ in Crore)

Particulars	31 March, 2014	31 March, 2013
Gross NPAs as on 1 <sup>st</sup> April (Opening Balance)	1554.01	1300.83
Additions (Fresh NPAs) during the year*	522.62	807.00
Subtotal (A)	2076.63	2107.83
Less:		
(i) Upgradations	134.00	159.08
(ii) Recoveries (excluding recoveries made from upgraded accounts)	136.62	224.06
(iii) Technical/ Prudential Write - offs	466.12	-
(iv) Write -offs other than those under (iii) above	5.31	11.47
(v) Reduction by Sale of Assets to ARCs*	247.17	159.21
Sub-total (B)	989.22	553.82
Gross NPAs as on 31 March (Closing Balance)	1087.41	1554.01

\* Excludes fresh NPAs sold to ARCs during the Year ₹161.62 Crore (Previous Year: ₹98.71 Crore)

## 1.6.3 Movement in net non-performing assets

(₹ in Crore)

Particulars	31 March, 2014	31 March, 2013
Opening Balance at the beginning of the year	431.94	199.00
Additions during the year *	253.20	605.67
Reductions during the year *	363.58	372.73
Closing Balance at the end of the year	321.56	431.94

\* Excludes fresh NPAs sold to ARCs, net of provisions, during the Year ₹95.17 Crore (Previous Year: ₹70.63 Crore)



## THE FEDERAL BANK LIMITED

## SCHEDULE 18:

## NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS (Contd...)

## 1.6.4 Movement in provisions for non-performing assets

(₹ in Crore)

Particulars	31 March, 2014	31 March, 2013
Opening Balance	1097.87	1055.33
Addition on account of withdrawal of Floating Provision on standard assets	12.50	
Other Additions during the year	228.22	189.28
Reductions during the year	617.42	146.74
Closing Balance	721.17	1097.87

## 1.6.5 Sector wise Non-performing Assets

(₹ in Crore)

Sl.No.	Sector	Percentage of NPAs to Total Advances in that Sector	
		31 March, 2014	31 March, 2013
1	Agriculture and allied Activities	3.15%	3.11%
2	Industry (Micro and Small, Medium and Large)	2.67%	6.59%
3	Services	1.60%	6.99%
4	Personal loans	4.89%	23.31%

Above information is provided as per the internal classification by management and has been relied upon by the auditors.

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

(₹ in Crore)

Particulars	Standard Assets Provision		NPA Provision	
	2013-14	2012-13	2013-14	2012-13
(a) Opening Balance	38.00	38.00	179.52	179.52
(b) Additional provision for the year	Nil	Nil	Nil	Nil
(c) Draw down during the year	12.50	Nil	Nil	Nil
(d) Closing Balance	25.50	38.00	179.52	179.52

1.6.7 The Provisioning coverage ratio of the bank computed in terms of the RBI Guidelines as on 31 March, 2014 was 84.16% (Previous Year 80.96%).

## 1.6.8 Movement of Provision on Standard Assets

(₹ in Crore)

Particulars	2013-14	2012-13
(a) Opening Balance	245.38	196.04
(b) Addition/Adjustments during the year	12.70	49.34
(c) Deduction during the year	12.50	-
(d) Closing Balance	245.58	245.38

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

(₹ in Crore)

Particulars	2013-14	2012-13
Provision for Income Tax		
a) Current Tax for the year (Net of Mat Credit entitlement ₹77.29 Crore)	120.71	514.81
b) Deferred Tax for the year	252.39	(159.22)



## THE FEDERAL BANK LIMITED

## SCHEDULE 18:

## NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS (Contd...)

## 1.6.10 Particulars of Accounts Restructured

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 <sup>7</sup>				
		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 appearing under opening balance <sup>1</sup>	No. of borrowers	(2)	-	-	-	(2)	-	-	-	-	-
	Amount Outstanding – (a)Restructured facility	(42.97)	(2.51)	0.11	-	(45.37)	-	-	-	-	-
	b)Other Facility	(13.12)	4.67	-	-	(8.45)	-	-	-	-	-
	Provision thereon	(17.67)	(0.71)	(0.38)	-	(18.76)	-	-	-	-	-
Fresh Restructuring during the year <sup>2</sup>	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 additional risk weight at the end of FY	No. of borrowers	-	-	-	-	-	-	-	-	-	-
	Amount Outstanding – (a) Restructured facility	-	-	-	-	-	-	-	-	-	-
	b)Other Facility	-	-	-	-	-	-	-	-	-	-
	Provision thereon	-	-	-	-	-	-	-	-	-	-
Downgradation of restructured accounts during the FY <sup>3</sup>	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 <sup>4,5</sup>	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) <sup>6</sup>	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	-	-	-	-	-



## THE FEDERAL BANK LIMITED

## SCHEDULE 18:

## NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS (Contd...)

(₹ in Crore)

Type of Restructuring		Others					Total				
		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 <sup>1</sup>	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 <sup>2</sup>	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 restructured standard category during the FY	No. of borrowers	29	(15)	(10)	(4)	-	29	(15)	(10)	(4)	-
	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 <sup>3</sup>	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 <sup>4,5</sup>	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)
	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) <sup>6</sup>	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



**THE FEDERAL BANK LIMITED****SCHEDULE 18:****NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS (Contd...)**

- <sup>1</sup> Includes accounts closed during the year on account of payment of outstanding facilities by the borrower
- <sup>2</sup> Amount reported here represents outstanding as on 31 March, 2014
- <sup>3</sup> Includes accounts which were not attracting higher provisioning and/or additional risk weight at the beginning of the Financial Year
- <sup>4</sup> Amount outstanding under restructuring facilities is outstanding balance as on 31-03-2013
- <sup>5</sup> Includes sale of restructured accounts as follows:

**A. Under CDR Mechanism**

(₹in Crore)

	Standard	Sub-Standard	Doubtful	Loss	Total
No. of borrowers	-	1	-	-	1
Amount Outstanding	-	44.01	-	-	44.01
(a)Restructured facility @	-				
b)Other Facility @	-	2.69	-	-	2.69
Provision thereon @	-	5.77	-	-	5.77

@ Represents balance as on 31-03-2013

**B. Others**

(₹in Crore)

	Standard	Sub-Standard	Doubtful	Loss	Total
No. of borrowers	-	2	1	4	7
Amount Outstanding	-	96.94	20.01	0.60	117.55
(a)Restructured facility @	-				
b)Other Facility@	-	13.80	4.62	-	18.42
Provision thereon @	-	25.35	-	0.03	25.38

@ Represents balance as on 31-03-2013

- <sup>6</sup> Other Facility include investments in Bonds/ Debentures amounting to ₹ 457.97 Crore
- <sup>7</sup> There are no SME cases which have been restructured during the year ended 31 March, 2014



## THE FEDERAL BANK LIMITED

## SCHEDULE 18:

## NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS (Contd...)

Details of loan assets subjected to restructuring during the year ended 31 March, 2013:

(₹ in Crore)

Type of Restructuring Asset Classification		Under CDR Mechanism					Under SME Debt Restructuring Mechanism <sup>5</sup>				
		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	5	2	1	0	8	0	0	0	0	0
	Amount Outstanding – (a)Restructured facility	96.35	68.51	31.56	0	196.42	0	0	0	0	0
	b)Other Facility	32.40	5.66	-	-	38.06	0	0	0	0	0
	Provision thereon	31.75	12.37	7.26	0	51.38	0	0	0	0	0
Movement in balance for accounts appearing under opening balance <sup>1</sup>	No. of borrowers	1	(1)	0	0	0	0	0	0	0	0
	Amount Outstanding – (a)Restructured facility	22.02	(26.26)	(9.41)	0	(13.65)	0	0	0	0	0
	b)Other Facility	16.15	(2.96)	14.59	0	27.78	0	0	0	0	0
	Provision thereon	(19.83)	(2.19)	(6.86)	0	(28.88)	0	0	0	0	0
Fresh Restructuring during the year <sup>2,3</sup>	No. of borrowers	7	1	0	0	8	0	0	0	0	0
	Amount Outstanding – (a)Restructured facility	207.49	35.62	0	0	243.11	0	0	0	0	0
	b)Other Facility	14.68	0	0	-	14.68	0	0	0	0	0
	Provision thereon	16.98	5.40	0	0	22.38	0	0	0	0	0
Upgradation to restructured standard category during the FY	No. of borrowers	1	(1)	0	0	0	0	0	0	0	0
	Amount Outstanding – (a)Restructured facility	44.08	(44.08)	0	0	0	0	0	0	0	0
	b)Other Facility	2.70	(2.70)	-	-	0	-	-	-	-	-
	Provision thereon	10.18	(10.18)	0	0	0	0	0	0	0	0
Restructured Standard Advances which cease to attract higher provisioning and/or additional risk weight at the end of FY	No. of borrowers					0	0				0
	Amount Outstanding – (a)Restructured facility					0	0				0
	b)Other Facility	-	-	-	-	-	-	-	-	-	-
	Provision thereon						0				0
Downgradation of restructured accounts during the FY <sup>3</sup>	No. of borrowers	(1)	0	1	0	0	0	0	0	0	0
	Amount Outstanding – (a)Restructured facility	(32.30)	0	32.30	0	0	0	0	0	0	0
	b)Other Facility	0	0	0	0	0	-	0	-	-	0
	Provision thereon	(2.19)	0	2.19	0	0		0			0
Write-offs/ Sale of restructured accounts during the FY <sup>4,5</sup>	No. of borrowers	0	0	0	0	0	0	0	9	0	0
	Amount Outstanding – (a)Restructured facility	0	0	0	0	0	0	0	0	0	0
	b)Other Facility	-	-	-	-	-	-	-	-	-	-
	Provision thereon								0		0
Restructured accounts as on March 31 of the FY (closing figures) <sup>6</sup>	No. of borrowers	13	1	2	0	16	0	0	0	0	0
	Amount Outstanding – (a)Restructured facility	337.64	33.79	54.45	0	425.88	0	0	0	0	0
	b)Other Facility	65.93	0	14.59	-	80.52	0	0	0	0	0
	Provision thereon	36.89	5.40	2.59	0	44.88	0	0	0	0	0



## THE FEDERAL BANK LIMITED

## SCHEDULE 18:

## NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS (Contd...)

(₹ in Crore)

Type of Restructuring Asset Classification		Others					Total				
		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	395	79	264	80	818	400	81	265	80	826
	Amount Outstanding – (a)Restructured facility	1239.92	70.78	269.74	29.74	1610.18	1336.27	139.29	301.30	29.74	1806.60
	b)Other Facility	76.07	12.08	0	0	88.15	108.47	17.74	-	-	126.21
	Provision thereon	28.63	1.38	7.81	5.09	42.91	60.38	13.75	15.07	5.09	94.29
Movement in balance for accounts appearing under opening balance <sup>1</sup>	No. of borrowers	38	(65)	(58)	4	(81)	39	(66)	(58)	4	(81)
	Amount Outstanding – (a)Restructured facility	(64.37)	(75.78)	(115.46)	(73.00)	(328.61)	(42.35)	(102.04)	(124.87)	(73.00)	(342.26)
	b)Other Facility	339.32	(36.44)	41.40	0.32	344.60	355.47	(39.40)	55.99	0.32	372.38
	Provision thereon	28.88	(4.67)	(1.98)	(9.75)	12.48	9.05	(6.86)	(8.84)	(9.75)	(16.40)
Fresh Restructuring during the year <sup>2,3</sup>	No. of borrowers	95	6	0	0	101	102	7	0	0	109
	Amount Outstanding – (a)Restructured facility	609.68	7.26	0	0	616.94	817.17	42.88	0	0	860.05
	b)Other Facility	88.07	21.33	0	0	109.40	102.75	21.33	-	-	124.08
	Provision thereon	71.10	3.15	0	0	74.25	88.08	8.55	0	0	96.63
Upgradation to restructured standard category during the FY	No. of borrowers	17	(17)	0	0	0	18	(18)	0	0	0
	Amount Outstanding – (a)Restructured facility	3.71	(3.71)	0	0	0	47.79	(47.79)	0	0	0
	b)Other Facility	0.06	(0.06)	-	-	0	2.76	(2.76)	-	-	0
	Provision thereon	0.05	(0.05)	0	0	0	10.23	(10.23)	0	0	0
Restructured Standard Advances which cease to attract higher provisioning and/or additional risk weight at the end of FY	No. of borrowers	(76)				(76)	(76)				(76)
	Amount Outstanding – (a)Restructured facility	(45.96)				(45.96)	(45.96)				(45.96)
	b)Other Facility	(1.32)				(1.32)	(1.32)				(1.32)
	Provision thereon	(1.10)				(1.10)	(1.10)				(1.10)
Downgradation of restructured accounts during the FY <sup>3</sup>	No. of borrowers	(69)	54	2	13	0	(70)	54	3	13	0
	Amount Outstanding – (a)Restructured facility	(125.25)	25.11	0.32	99.82	0	(157.55)	25.11	32.62	99.82	0
	b)Other Facility	(9.91)	9.91	0	0	0	(9.91)	9.91	--	-	0
	Provision thereon	(6.05)	1.11	0.02	4.92	0	(8.24)	1.11	2.21	4.92	0
Write-offs/ Sale of restructured accounts during the FY <sup>4</sup>	No. of borrowers	0	0	(24)	(26)	(50)	0	0	(24)	(26)	(50)
	Amount Outstanding – (a)Restructured facility	0	0	(44.61)	(0.02)	(44.63)	0	0	(44.61)	(0.02)	(44.63)
	b)Other Facility	0	0	0	0	0	-	-	-	-	-
	Provision thereon	0	0	(0.89)	0	(0.89)	0	0	(0.89)	0	(0.89)
Restructured accounts as on March 31 of the FY (closing figures)	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

<sup>1</sup> Includes accounts closed during the year on account of payment of outstanding facilities by the borrower.

<sup>2</sup> Amount reported here represents outstanding as on 31 March, 2014.

<sup>3</sup> Includes accounts which were not attracting higher provisioning and/or additional risk weight at the beginning of the Financial Year.

<sup>4</sup> Amount outstanding under restructuring facilities is outstanding balance as on 31-03-2013

<sup>5</sup> There are no SME cases which have been restructured during the year ended 31 March, 2013.



## THE FEDERAL BANK LIMITED

## SCHEDULE 18:

## NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS (Contd...)

## 1.6.11 Details of financial assets sold to Securitisation / Reconstruction companies for Asset Reconstruction:

(₹ in Crore)

Particulars	31 March 2014	31 March 2013
(a) No of accounts#	637	201
(b) Aggregate value (net of provisions) of accounts sold to SC/RC	258.73	113.92
(c) Aggregate consideration	302.59	238.91
(d) Additional consideration realised in respect of accounts transferred in earlier years	5.51	19.95
(e) Aggregate gain/(loss) over net book value*	49.37	144.94

#Excludes 58 accounts already written off from books amounting to Rs. 17.04 Crore (Previous Year: Nil)

\* As per the extant RBI guidelines, the Bank has not recognised the gains in the financial statements and has recorded the security receipts at Net Book Value (NBV).

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

## A. Details of non-performing financial assets purchased:

(₹ in Crore)

Particulars	31 <sup>st</sup> March 2014	31 <sup>st</sup> March 2013
1. (a) No. of accounts purchased during the year	NIL	NIL
(b) Aggregate outstanding		
2. (a) Of these, number of accounts restructured during the year	NIL	NIL
(b) Aggregate outstanding		

## B. Details of non-performing financial assets sold:

(₹ in Crore)

Particulars	31st March 2014	31st March 2013
1.No of Accounts sold	NIL	NIL
2. Aggregate outstanding		
3.Aggregate consideration received		

1.6.13 During the year ended 31 March, 2014 and 31 March, 2013 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.



## THE FEDERAL BANK LIMITED

## SCHEDULE 18:

## NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS (Contd...)

## 1.6.14 Movement in technical/prudential Written off accounts is set out below:

(₹ in Crore)

Particulars	31.03.2014	31.03.2013
Opening balance at the beginning of the year	806.23	824.00
Add Technical write-offs during the year	466.12	-
<b>Sub Total (A)</b>	<b>1272.35</b>	<b>824.00</b>
Less Reduction due to recovery made from previously technical/prudential written-off accounts during the year	30.11	17.77
Less Reduction due to sale of NPAs to ARCs from previously technical/prudential written-off accounts during the year	17.04	-
<b>Sub Total (B)</b>	<b>47.15</b>	<b>17.77</b>
<b>Closing balance at the end of the year (A-B)</b>	<b>1225.20</b>	<b>806.23</b>

## 1.7. Asset Liability Management

A maturity pattern of certain items of assets and liabilities at 31 March, 2014 and 31 March, 2013 is set out below:

## 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	-
<b>Total</b>	<b>59731.28</b>	<b>43436.10</b>	<b>24117.85</b>	<b>5687.96</b>	<b>2106.54</b>	<b>2921.98</b>



## THE FEDERAL BANK LIMITED

## SCHEDULE 18:

## NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS (Contd...)

Year ended 31 March, 2013

(₹ in Crore)

Maturity Pattern	Deposits	Advances	Investments	Borrowings	Foreign Currency Assets	Foreign Currency Liabilities
Day 1	193.84	3027.91	34.95	-	100.59	141.19
2 -7 days	797.93	204.22	1862.71	517.18	330.17	13.43
8-14 days	884.80	319.66	194.65	6.16	1.01	9.44
15-28 days	1741.80	1057.32	532.65	330.00	1.82	10.10
29 days to 3 months	6988.50	3160.31	2665.02	580.85	62.60	704.49
Over 3 months and upto 6 months	6682.26	3372.79	1564.80	841.00	432.80	549.55
Over 6 months and upto 1 Year	13351.63	5991.87	3279.57	765.00	96.52	671.87
Over 1 Year and upto 3 Years	24201.02	18224.94	4819.13	1526.74	121.65	243.52
Over 3 Years and upto 5 Years	1667.13	3341.97	743.40	620.06	51.63	92.27
Over 5 Years	1105.95	5395.71	5457.71	-	42.84	-
<b>Total</b>	<b>57614.86</b>	<b>44096.70</b>	<b>21154.59</b>	<b>5186.99</b>	<b>1241.63</b>	<b>2435.86</b>

**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 contracts.



## THE FEDERAL BANK LIMITED

## SCHEDULE 18:

## NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS (Contd...)

## 1.8. Exposures

## 1.8.1 Exposure to Real Estate Sector

(₹ in Crore)

Category	2013-14	2012-13
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)	6032.95  (3427.10)	5206.16  (3039.96)
(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;	1154.50	1086.16
(iii) Investments in Mortgage Backed Securities (MBS) and other securitised exposures –		
a. Residential	105.71	87.08
b. Commercial Real Estate	20.66	0.66
b) Indirect Exposure:		
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	585.24	1376.48
<b>Total Exposure to Real Estate sector</b>	<b>7899.06</b>	<b>7756.54</b>



## THE FEDERAL BANK LIMITED

## SCHEDULE 18:

## NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS (Contd...)

## 1.8.2 Exposure to Capital Market

(₹ in Crore)

Category	31March, 2014	31March, 2013
(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;	168.32	252.13
(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;	0.37	4.53
(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;	4.05	2.17
(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;	114.96	84.43
(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)	47.83	20.34
<b>Total Exposure to Capital Market</b>	<b>335.53</b>	<b>363.60</b>



**THE FEDERAL BANK LIMITED****SCHEDULE 18:****NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS (Contd...)****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 2014	Provision held as at 31 March 2014	Exposure (net) as at 31 March 2013	Provision held as at 31 March 2013
Insignificant	585.35	-	611.36	-
Low	332.85	-	277.09	-
Moderate	35.06	-	72.49	-
High	2.62	-	7.34	-
Very High	6.39	-	12.31	-
Restricted	0.10	-	0.02	-
Off-credit	2.31	-	-	-
<b>Total</b>	<b>964.68</b>	<b>-</b>	<b>980.61</b>	<b>-</b>

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

**1.8.4 Information on Concentration of deposits:**

(₹ in Crore)

	31 March, 2014	31 March, 2013
Total Deposits of Twenty Largest depositors	2,129.02	4,195.01
Percentage of Deposits of twenty largest depositors to total deposits of the bank	3.56%	7.28%

Note: Exclude holders of certificate of deposits

**1.8.5 Information on Concentration of advances:**

(₹ in Crore)

	31 March, 2014	31 March, 2013
Total advances of Twenty Largest Borrowers	7,228.69	8,714.00
Percentage of advances of twenty largest Borrowers to total advances of the bank	11.90%	19.76%

Note: Advance is computed as per the definition of Credit Exposure in RBI Master Circular on Exposure Norms DBOD .No.Dir.BC.13/13.03.00/2013-14 dated July1, 2013.



## THE FEDERAL BANK LIMITED

## SCHEDULE 18:

## NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS (Contd...)

## 1.8.6 Information on Concentration of exposure:

(₹ in Crore)

	31 March, 2014	31 March, 2013
Total exposures of Twenty Largest borrowers/customers	7,705.90	9,935.41
Percentage of exposures to twenty largest borrowers/customers to total exposure of the bank on borrowers/customers	11.16%	13.70%

Note: Exposure is computed as per the definition of Credit and Investment Exposure in RBI Master Circular on Exposure Norms DBOD.No. Dir.BC.13/13.03.00/2013-14 dated July 1, 2013.

## 1.8.7 Information on Concentration of NPAs:

(₹ in Crore)

	31 March, 2014	31 March, 2013
Total exposures to top Four NPA accounts	166.54	401.29

1.8.8. During the year ended 31 March, 2014 and 31 March, 2013, the Bank's credit exposure to single borrower and group borrowers was within the prudential exposure limits prescribed by RBI.

## 1.9. Details of Penalty imposed by RBI

Particulars	2013-14 (₹ in Lakhs)	2012-13 (₹ in Lakhs)
Being 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. Penalty was imposed in terms of Section 47A (1)(c) read with section 46(4)(i) of the Banking Regulation Act, 1949.	300.00	-
Bouncing of SGL sale transaction	-	0.68
Date of Payment	23rd July, 2013	27th July, 2012

## 1.10. Disclosure of customer complaints

	Particulars	31 March, 2014	31 March, 2013
(a)	No. of complaints pending at the beginning of the year	48	45
(b)	No. of complaints received during the year	2743	2510
(c)	No. of complaints redressed during the year	2722	2507
(d)	No. of complaints pending at the end of the year	69	48

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



**THE FEDERAL BANK LIMITED****SCHEDULE 18:****NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS (Contd...)****1.11. Disclosure of Awards passed by the Banking Ombudsman**

		31 March, 2014	31 March, 2013
(a)	No. of unimplemented awards at the beginning of the year	1@	2
(b)	No. of awards passed by the Banking Ombudsman	-	-
(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**

In accordance with Reserve Bank of India circular DBOD.No.BP.BC.77/21.01.018/2013-14 dated 20 December 2013, the Bank has provided 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 Revenue Reserve.

The Bank has not made any draw down from reserves 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 2014	31March 2013
1	For selling life insurance policies	20.20	24.14
2	For selling non - life insurance policies	1.73	1.72
3	For selling mutual fund products	0.68	0.69
4	Others	1.95	1.48

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

1.15. 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, 2014 and 31 March, 2013.



**THE FEDERAL BANK LIMITED****SCHEDULE 18:****NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS (Contd...)****1.18 Disclosures on Remuneration****(i) Qualitative disclosures****a) Information relating to the composition and mandate of the Remuneration Committee:**

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, 2014, the remuneration committee of the Board comprises of the following Independent Directors:

- Prof. Abraham Koshy – Chairman
- Shri Nilesh S Vikamsey
- Dr. M. Y. Khan

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/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 ie. 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



## THE FEDERAL BANK LIMITED

### SCHEDULE 18:

#### NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS (Contd...)

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 is 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



**THE FEDERAL BANK LIMITED****SCHEDULE 18:****NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS (Contd...)**

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, 2014	31 March, 2013
(a)	Number of meetings held by the Remuneration Committee during the financial year and remuneration paid to its members.	10 ₹ 360,000	8 ₹ 4,40,000
(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

(Contd...)



**THE FEDERAL BANK LIMITED****SCHEDULE 18:****NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS (Contd...)**

		31 March, 2014	31 March, 2013	
(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)		1.54 (Fixed) 0.26 (Variable)	1.71 (Fixed) 0.40 (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

**2. Other Disclosures****2.1. Earnings per Share ('EPS')**

Particulars	31 March 2014	31 March 2013
Weighted average number of equity shares used in computation of basic earnings per share (in 000's)	855306	855295
Weighted average number of equity shares used in computation of diluted earnings per share (in 000's)	855306	855295
Nominal Value of share (in Rs)	2	2
Basic earnings per share (in Rs)	9.81	9.80
Diluted earnings per share (in Rs)	9.81	9.80
Earnings used in the computation of basic and diluted earnings per share (₹ in '000)	8388877	8381676

**2.2 A. Subscribed and paid up capital includes:**

- (i) 16590 shares of ₹2/- each (Previous year 3318 shares of ₹10/-) issued for consideration other than cash
- (ii) 21025590 underlying equity shares of ₹2/- each per share (previous year 3371338 of ₹10/- each) held by custodian on behalf of holders of Global Depository Receipts (GDRs)
- (iii) 74280 ESOS shares of ₹2/- per share (previous year 11631 shares of ₹10) allotted under ESOS 2010.

B. Allotment of 6530 shares of ₹2/- each (Previous year 1306 shares of ₹10/ 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 52,420 shares of ₹10/- per share) pertaining to the Rights issue of 1996 issued at a premium of ₹140/- per Share and 10,83,415 equity shares of ₹2/- each



**THE FEDERAL BANK LIMITED****SCHEDULE 18:****NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS (Contd...)**

(previous year 2,16,683 shares of ₹10/ 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 412,940 shares of ₹2/- each (previous year 82,788 shares of ₹10/- each) out of the Bonus issue of 2004 are kept in abeyance consequent to injunction 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, 2014	31 March, 2013
Outstanding at the beginning of the year	2,72,31,395	1,51,79,375
Surrendered during the year	-	-
Granted during the year*	1,30,47,125	1,22,42,375
Exercised during the year	16,125	58,155
Forfeited/lapsed during the year	32,34,590	1,32,200
Outstanding at the end of the year	3,70,27,805	2,72,31,395
Options exercisable	1,37,95,665	73,01,850

\*ESOS granted on 12th September, 2013 with vesting period of 1,2,3 and 4 years. Exercise period of 5 years and exercise price of ₹57.25 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 ₹20.03 Crore (Previous Year: ₹12.73 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 ₹9.57 and ₹9.51 (Previous Year: ₹9.65 and ₹9.62) 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 2014, if approved at the ensuing Annual General Meeting. Dividend relating to these shares has not been recorded in the current year.



**THE FEDERAL BANK LIMITED****SCHEDULE 18:****NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS (Contd...)****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 Rs.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 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	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

(Continued...)



## THE FEDERAL BANK LIMITED

## SCHEDULE 18:

## NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS (Contd...)

(₹ in Crore)

Business Segments	Treasury	Corporate/Whole sale Banking	Retail Banking	Other Banking Operations	Total
<b>OTHER INFORMATION</b>					
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

## Segment results as on 31 March 2013, are set out below:

(₹ in Crore)

Business Segments	Treasury	Corporate/Whole sale Banking	Retail Banking	Other Banking Operations	Total
Revenue	1813.60	2169.73	2807.88	40.80	6832.01
Result (net of provisions)	290.47	261.14	625.66	33.15	1210.42
Unallocated expense					(16.66)
Operating profit (PBT)					1193.76
Income taxes					(355.59)
Extraordinary profit/loss					--
Net Profit					838.17
<b>OTHER INFORMATION</b>					
Segment Assets	24616.62	22037.56	23194.19	69.28	69917.65
Unallocated assets					1115.30
Total assets					71032.95
Segment liabilities	22160.42	20402.09	21506.02	-	64068.53
Unallocated liabilities					599.77
Total liabilities					64668.30

## Geographic Segment Information

The Bank operates within India.



**THE FEDERAL BANK LIMITED****SCHEDULE 18:****NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS (Contd...)****2.5. Related Party Disclosures****a) Details of Related Parties:**

Name of the Party	Nature of Relationship
IDBI Federal Life Insurance Company Limited	Associate
Fed Bank Financial Services Limited	Subsidiary
Sri. Shyam Srinivasan, Managing Director & CEO	Key Management Personnel
Sri. P C John, Executive Director & CFO (Upto 30 <sup>th</sup> April, 2013)	Key Management Personnel
Sri. Abraham Chacko (Executive Director) (from 08th August 2014)	Key Management Personnel

**b) Significant transactions with related parties:**

(₹ in Crore)

Particulars	Key Management Personnel #	
	31 March 2014	31 March 2013
Remuneration		
Sri. Shyam Srinivasan	0.95	1.05
Sri. P C John (Including Retirement Benefits)	0.20	0.44
Sri. Abraham Chacko	0.82	-
Dividend Paid	*	*

Asterisk denotes figures below ₹ 1 Lakh

During the year 2013-14: 966 Thousands (Previous Year :715 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.



## THE FEDERAL BANK LIMITED

## SCHEDULE 18:

## NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS (Contd...)

## 2.6. Fixed Assets

a) Fixed Assets as per Schedule 10 include Intangible Assets relating to Software and System Development Expenditure which are as follows:

Particulars	(₹ in Crore)	
	31 March, 2014	31 March, 2013
<b>Gross Block</b>		
At the beginning of the year	70.47	39.39
Additions during the year	8.65	31.08
Deductions during the year	-	-
Closing Balance	79.12	70.47
<b>Depreciation / Amortisation</b>		
At the beginning of the year	36.51	31.87
Charge for the year	17.28	4.64
Deductions during the year	-	-
<b>Depreciation to date</b>	53.79	36.51
<b>Net Block</b>	25.33	33.96

## 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. Depreciation for the year on the net addition to value on such revaluation of assets at ₹0.20Crore (Previous year: ₹0.21Crore) has been transferred from Revaluation Reserve to Profit and Loss Account. There has been no revaluation of assets during this year.



**THE FEDERAL BANK LIMITED****SCHEDULE 18:****NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS (Contd...)****2.8. Deferred Tax Assets / Liability**

The major components of deferred tax assets and deferred tax liabilities are as under: (₹ in Crore)

	31 March 2014	31 March 2013
<b>Deferred Tax Liability</b>		
Tax effect of items constituting deferred tax liability:		
(i) Interest accrued but not due	137.83	111.81
(ii) Depreciation on Fixed Assets	2.80	5.47
(iii) Depreciation on Investments	349.70	151.85
(iv) Reserve under section 36(1)(viii) of the Income Tax Act, 1961	12.99	-
Total (A)	503.32	269.13
<b>Deferred Tax Asset</b>		
Tax effect of items constituting deferred tax assets:		
(i) Interest/premium paid on purchase of securities	65.89	56.29
(ii) Provision for Standard Assets	83.41	83.34
(iii) Others	227.02	224.53
Total (B)	376.32	364.16
<b>Deferred tax liability/ (Asset) (A-B)</b>	<b>127.00\$</b>	<b>(95.03)</b>
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)	30.36
<b>Net Deferred tax liability/ (Asset)</b>	<b>285.66</b>	<b>(125.39)\$</b>

\$ Net Deferred tax of ₹ 252.39 Crore [Previous Year ₹ 159.22 Crore (credited)] debited to the Profit and Loss Account.

**2.9. 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 ₹0.34 Crore (Previous year: ₹0.37 Crore) 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 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 ₹9.41 Crore (Previous year: ₹5.69 Crore) for DCPS contribution in the Profit and Loss Account.



**THE FEDERAL BANK LIMITED****SCHEDULE 18:****NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS (Contd...)****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, 2014.

**i) Change in benefit obligations.**

(₹ in Crore)

Particulars	Gratuity Plan		Pension Plan	
	31 March, 2014	31 March, 2013	31 March, 2014	31 March, 2013
Projected benefit obligation, beginning of the year	240.13	225.25	584.12	598.76
Service Cost	13.07	12.00	47.11	42.18
Interest cost	19.75	18.20	44.22	46.14
Actuarial (gain)/ loss	(42.74)	6.85	13.77	8.98
Benefits paid	(28.95)	(22.17)	(157.44)	(111.94)
Projected benefit obligation, end of the year	<b>201.26</b>	<b>240.13</b>	<b>531.78</b>	<b>584.12</b>



## THE FEDERAL BANK LIMITED

## SCHEDULE 18:

## NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS (Contd...)

## ii) Change in plan assets:

(₹ in Crore)

Particulars	Gratuity Plan		Pension Plan	
	31 March, 2014	31 March, 2013	31 March, 2014	31 March, 2013
Plan assets at beginning of the year at fair value	221.67	198.87	444.17	422.62
Expected return on plan assets	19.49	16.90	38.33	35.92
Actuarial gain/(loss)	0.16	1.69	0.26	3.23
Employer's Contributions	18.46	26.38	90.93	94.34
Benefits paid	(28.95)	(22.17)	(157.44)	(111.94)
Plan assets at end of the year, at fair value	230.83	221.67	416.25	444.17

## 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, 2014	31 March, 2013	31 March, 2014	31 March, 2013
Fair value of plan assets at the end of the year	230.83	221.67	416.25	444.17
Present value of the defined benefit obligations at the end of the period	201.26	240.13	531.78	584.12
Liability/ (Asset) recognized in the Balance Sheet	(29.57)	18.46	115.53@	139.95@

@ Includes amount payable on account of transitional liability due to second option for pension ₹ 33.68Crore (Previous year ₹ 67.36Crore)

## iv) Gratuity/pension cost for the year ended 31st March, 2014:-

(₹ in Crore)

Particulars	Gratuity Plan		Pension Plan	
	31 March, 2014	31 March, 2013	31 March, 2014	31 March, 2013
Service cost	13.07	12.00	47.11	42.18
Interest cost	19.75	18.20	44.22	46.14
Expected return on plan assets	(19.49)	(16.90)	(38.33)	(35.92)



## THE FEDERAL BANK LIMITED

## SCHEDULE 18:

## NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS (Contd...)

(₹ in Crore)

Particulars	Gratuity Plan		Pension Plan	
	31 March, 2014	31 March, 2013	31 March, 2014	31 March, 2013
Actuarial (gain)/loss	(42.90)	5.16	13.51	5.75
Employee Cost	(29.57)	18.46	66.51	58.15
Amortisation Cost	-	-	33.68	33.68
Net cost Debit to Profit and Loss account	(29.57)	18.46	100.19	91.83
Amount not debited in profit and loss account, but carried over to be amortised in future years *	-	-	33.68	67.36
Actual return on plan assets	19.64	18.59	38.59	39.15

\*See item No.2.10 of schedule 18

## v) Investment details of plan Assets :-

(₹ in Crore)

Particulars	Gratuity Plan		Pension Plan	
	31 March, 2014	31 March, 2013	31 March, 2014	31 March, 2013
Central and state Government bonds	42.66	46.53	134.04	137.37
Other debt securities	27.65	29.51	82.04	90.47
Balance in Saving bank account with the Bank	1.17	2.87	2.94	6.33
Net current assets	2.04	2.21	6.15	6.68
Balance with LIC#	157.31	140.55	191.08	203.32
Total	230.83	221.67	416.25	444.17

# 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 2014	31 March 2013	31 March 2012	31 March 2011	31 March 2010
Defined Benefit Obligations	201.26	240.13	225.25	203.51	181.73
Plan Assets	230.83	221.67	198.87	184.69	181.73
Surplus/(Deficit)	29.57	(18.46)	(26.38)	(18.82)	-
Experience adjustments on Plan Liabilities [Gain / (Loss)]	(5.74)	17.02	0.03	13.89	40.36
Experience Adjustments on Plan Assets [Gain / (Loss)]	1.76	22.33	0.64	(0.26)	(0.10)



## THE FEDERAL BANK LIMITED

## SCHEDULE 18:

## NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS (Contd...)

## ii) Pension Plan (₹ in Crore)

	31 March 2014	31 March 2013	31 March 2012	31 March 2011	31 March 2010
Defined Benefit Obligations	531.78	584.12	598.76	589.34	195.38
Plan Assets	416.25	444.17	422.62	404.04	195.38
Surplus/(Deficit)	(115.53)	(139.95)	(176.14)	(185.30)	-
Experience adjustments on Plan Liabilities [Gain / (Loss)]	(8.18)	(1.22)	450.11	0.59	(0.22)
Experience Adjustments on Plan Assets [Gain / (Loss)]	3.03	1.38	0.96	(0.37)	(0.72)

## vii) Assumptions:-

Particulars	Gratuity Plan		Pension Plan	
	31 March, 2014	31 March, 2013	31 March, 2014	31 March, 2013
Discount rate	8.75%	8.50%	8.75%	8.50%
Annuity rate per Rupee	-	-	126.18297	126.18297
Salary escalation rate	5.10%	5.00%	5.10%	5.00%
Estimated rate of return on plan assets	8.79%	8.50%	8.63%	8.50%
Attrition Rate	3.00%	1.00%	3.00%	1.00%
Mortality Table	IALM 2006-08 Ultimate	LICI 1994-1996	IALM 2006-08 Ultimate	LICI 1994-1996

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.

The bank expects to contribute ₹Nil (Previous Year ₹29.02Crore) and ₹90 Crore (Previous Year ₹63.96Crore) as gratuity and pension respectively for the year 2014-15.

**(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 entitle-



**THE FEDERAL BANK LIMITED****SCHEDULE 18:****NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS (Contd...)**

ment. 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 ₹2.13 Crore (Previous year: ₹9.93Crore) 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 2014	31March 2013
Privilege leave	115.99	113.53
Sick leave	30.77	27.18
Leave Travel Concession	7.67	9.87
Casual Leave	0.51	2.23
<b>Total actuarial liability</b>	<b>154.94</b>	<b>152.81</b>
<b>Assumptions</b>		
Discount rate	8.75%	8.50%
Salary escalation rate	5.10%	5.00%
Attrition Rate	3.00%	1.00%

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

2.10. 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 Profit and Loss Account for the year and the balance unamortised pension liability of ₹33.68Crore (Previous Year: ₹67.36Crore) is to be amortised in the nextyear.



## THE FEDERAL BANK LIMITED

## SCHEDULE 18:

## NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS (Contd...)

## 2.11. Provisions and Contingencies

## a) Movement in provision for frauds included under other liabilities:

(₹ in Crore)

	31 March 2014	31 March 2013
Opening balance at the beginning of the year	5.10	3.83
Additions during the year	0.22	1.27
Reductions on account of payments during the year	-	-
Reductions on account of reversals during the year	*	-
<b>Closing balance at the end of the year</b>	<b>5.32</b>	<b>5.10</b>

Asterisk denotes figure below ₹1,00,000/-

## b) Movement in provision for debit card reward points:

(₹ in Crore)

	31 March 2014	31 March 2013
Opening provision at the beginning of the year	3.53	0.17
Provision made during the year	-	3.37
Reductions during the year	2.53	0.01
<b>Closing Provision at the end of the year</b>	<b>1.00</b>	<b>3.53</b>

## c) Movement in provision for Other contingencies (including derivatives):

(₹ in Crore)

	31 March 2014	31 March 2013
Opening provision at the beginning of the year	32.82	38.37
Provision made during the year	110.69	5.05
Reductions during the year	1.46	10.60
<b>Closing Provision at the end of the year</b>	<b>142.05</b>	<b>32.82</b>



## THE FEDERAL BANK LIMITED

## SCHEDULE 18:

## NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS (Contd...)

## d) Movement in floating provisions:

(₹ in Crore)

Particulars	Standard Assets Provisions		NPA Provision	
	2013-14	2012-13	2013-14	2012-13
Opening balance	38.00	38.00	179.52	179.52
Provision made during the year	-	-	-	-
Draw down from provision	12.50	-	-	-
Closing balance	25.50	38.00	179.52	179.52

## 2.12. 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, (currencyswaps, 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

Other items represent stock of gold on consignment basis.

## 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



**THE FEDERAL BANK LIMITED****SCHEDULE 18:****NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS (Contd...)**

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

Abraham Chacko  
Executive Director

Shyam Srinivasan  
Managing Director & CEO

D. Sampath  
General Manager & CFO

Prof. Abraham Koshy  
Chairman

Directors:  
Nilesh S Vikamsey  
Sudhir M Joshi  
K M Chandrasekhar  
Dilip G Sadarangani  
Harish H Engineer  
Grace Elizabeth Koshie

Place: Kochi

Date: 29th April, 2014



**THE FEDERAL BANK LIMITED****BASEL III – Pillar 3 DISCLOSURES OF THE FEDERAL BANK LIMITED As on 31st March 2014****SCOPE OF APPLICATION AND CAPITAL ADEQUACY****I. Table DF- 1 SCOPE OF APPLICATION**

The Basel III capital adequacy norms are applicable to The Federal Bank Limited as the top consolidated entity in the group.

**Qualitative Disclosures****a) List of group entities considered for consolidation**

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

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

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



**Quantitative Disclosures****c) List of group entities considered for consolidation**

(Amount in ₹ Mn)

Name of the entity / country of incorporation (as indicated in (i) a. above)	Principle activity of the entity	Total balance sheet equity (as stated in the accounting balance sheet of the legal entity)	Total balance sheet assets (as stated in the accounting balance sheet of the legal entity)
Fed bank Financial Services Ltd India	Marketing of Bank's own products and lending against gold and property.	1893.82	3806.25

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

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

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

(Amount in ₹ Mn)

Name of the insurance entities / country of incorporation	Principle activity of the entity	Total balance sheet equity (as stated in the accounting balance sheet of the legal entity)	% of bank's holding in the total equity / proportion of voting power	Quantitative impact on regulatory capital of using risk weighting method versus using the full deduction method
IDBI Federal Life Insurance Company Ltd India	Insurance	4566.80	26%	CRAR will reduce by 0.28% under deduction method.

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

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



TABLE DF -2: CAPITAL ADEQUACY

1.	Qualitative disclosures		
1.1	A summary discussion of the Bank's approach to assess the adequacy of its capital to support current and future activities.		
	1. Policy on Internal Capital Adequacy Assessment Process has been put in place and the assessment of capital commensurate to the risk profile is reviewed on a quarterly basis.		
	2. Capital requirement for current business levels and estimated future business levels are assessed on a periodic basis.		
	3. CRAR has been worked out based on Basel III guidelines and it is well above the Regulatory Minimum level of 9 %.		
2.	<b>Quantitative disclosures (Solo Bank)</b>	Amount in ₹ Mn.	
2.1	<b>Capital requirements for credit risk</b>	35150.28	
	Portfolios subject to Standardized approach	35150.28	
	Securitization exposures	0	
2.2	<b>Capital requirements for market risk (Standardized duration approach)</b>	2761.18	
	Interest rate risk	1692.82	
	Foreign exchange risk (including gold)	180.00	
	Equity risk	888.36	
2.3	<b>Capital requirements for operational risk</b>	3525.74	
	Basic Indicator Approach	3525.74	
	Total Capital Funds	69724.29	
2.4	<b>Common Equity Tier I ,Tier I &amp; Total Capital Ratios</b>	Standalone	Consolidated
	Common Equity Tier I capital Ratio	14.59%	14.63%
	Tier I capital ratio	14.59%	14.63%
	Total capital ratio	15.14%	15.34%

## II. RISK EXPOSURE AND ASSESSMENT

1	<b>Credit risk</b>
	<p>Strategies and processes:</p> <p>The Bank is exposed to credit risk in its lending operations. The Bank's strategies to manage the credit risks are given below:</p> <p>a) Defined segment exposures delineated into retail, small and medium enterprises, agriculture and Corporate.</p> <p>b) Industry wise segment caps on aggregate lending by Bank across Branches.</p> <p>c) Individual borrower wise caps on lending as well as borrower group wise lending caps linked as a percentage to the Bank's capital funds at the end of the previous year.</p> <p>d) Credit rating of borrowers and allowing credit exposures only to defined thresholds of risk levels; the approach also includes diversification of credit rating wise borrowers but within acceptable risk parameters.</p>



	<p>e) The Bank's current entire business is within India and hence there is no geographic cap on lending in India; there is also no cap on lending within a State in India. However, in respect of cross border trade which would involve exposures to banks and financial institutions located outside India, there is a geographic cap on exposures apart from cap on individual Bank/Institution.</p> <p>f) A well defined approach to sourcing and preliminary due diligence while sourcing fresh credit limits.</p> <p>g) A clear and well defined delegation of authority within the Bank in regard to decision making linking risk and exposure amount to level of approval.</p> <p>h) Regular review of all credit structures and caps, continuously strengthening credit processes, and monitoring oversight which are regularly reviewed and duly approved by the Board of the Bank.</p> <p>i) Credit hub system put in place to enhance quality of credit appraisal and underwriting process.</p> <p>j) Bank has put in place appropriate mechanism for ongoing identification, development and assessment of expertise of officials in the area of credit appraisal, underwriting and credit management functions.</p> <p>k) Dedicated Credit Monitoring Department and Credit Monitoring Cells at various levels to monitor/follow up of performance of loans and advances.</p> <p>l) All credit proposals of ₹ 5.00 Crores and above are scrutinized and risk assessment is conducted by Integrated Risk Management Department, independent of the business functions.</p>
	<p>Structure and organization of risk management function:</p> <p>Bank has put in place Board approved comprehensive Credit Risk Management Policy. The policy aims to provide basic framework for implementation of sound credit risk management system in the Bank. It spells out various areas of credit risk, goals to be achieved, current practices and future strategies. Bank has also operationalised required organizational structure and framework as prescribed in the policy for efficient credit risk management through proactive identification, precise measurement, fruitful monitoring and effective control of credit risk arising from its credit and investment operations. Bank has Board level sub-committee, Risk Management Committee, to oversee Bank wide risk management and senior executive level Credit Risk Management Committee (CRMC) to monitor adherence to policy prescriptions and regulatory directions. CRMC of the Bank meets at least once in a month to take stock of Bank's credit risk profile based on the reports placed by Credit Risk Management Cell of Integrated Risk Management Department.</p> <p>Bank has put in place detailed Loan Policy spelling out various aspects of credit dispensation and credit administration. Loan policy stipulates measures for avoiding concentration risk by setting prudential limits and caps on taking sector wise, rating grade wise, and customer-constitution wise exposure. The policy gives specific instruction on valuation of collaterals. Bank has also put in place guidelines on fixing and monitoring of exposure ceilings to contain risk in credit and investment exposures.</p>



	<p>Scope and nature of risk reporting / measurement systems:</p> <p>Bank has developed comprehensive risk rating system that serves as a single point indicator of diverse risk factors of counterparty and for taking credit decisions in a consistent manner. Risk rating system is drawn up in a structured manner, incorporating different factors such as borrower specific characteristics, industry specific characteristics etc. Risk rating is made applicable for loan accounts, whether funded or non-funded, with total limits above ₹2 lakhs. Bank uses different rating models for different types of exposures. Rating model used for infrastructure exposures and corporate exposures are comprehensive in structure whereas model used for small exposures in the range of ₹2 lakhs to ₹50 lakhs is relatively simple in structure. Retail advances are rated using scoring model. Separate scoring models are used for rating Home loans, Auto loans and Property Power loans. These scoring formats are reviewed on an yearly basis. Bank also uses a separate rating model for rating its investment exposures. Bank is undertaking annual validation of its rating model for exposures of ₹5 Crores and above and is also conducting migration and default rate analysis for all loans of ₹50 lakhs and above.</p> <p>Rating process and rating output are used by the Bank in sanction and pricing of its exposures. Bank also conducts annual credit rating of its exposures and the findings are used in annual migration study and portfolio evaluation. Credit facilities are sanctioned at various levels in accordance with the delegation approved by the Board. The exercise of delegation and credit rating assigned by the sanctioning authority are subjected to confirmation by a different authority. Bank has also operationalised pre-sanction risk vetting of exposures of ₹5 Crores and above by independent Integrated Risk Management Department. Risk rating and vetting process being done independent of credit appraisal function ensures its integrity and independency.</p> <p>Credit audit is being conducted at specified intervals. Bank has made reasonably good progress in implementing all available instruments of credit risk mitigation.</p>
	<p>Policies for hedging / mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges/ mitigants:</p> <p>Bank's Credit Risk Management Policy also stipulates various tools for mitigation of credit risk and collateral management. Investment Policy of the Bank covers risk related to investment activities of the Bank and it prescribes prudential limits, methods of risk measurement, and hedges required amount in mitigation of risk arising in investment portfolio. Credit Risk Management Committee at senior executive level and Risk Management Committee at Board level monitor, discuss, evaluate and review risk mitigation levels and effectiveness of mitigation measures.</p> <p>Risk rating process by itself is an integral part of processes of selection of clients and sanction of credit facilities. Exercise of delegation for sanction of fresh loans or renewal/review of existing exposure by field level functionaries is permitted only for borrowers above a pre-specified rating grade. Entry-level restrictions are further tightened in certain sectors when market signals need for extra caution. Rating of an exposure awarded by an official is confirmed by another official to ensure its integrity.</p>



<b>2</b>	<b>Market risk</b>
	<p>Strategies and processes:</p> <p>The Bank monitors market risk through risk limits and Mid Office in operationally intense areas. Detailed policies like Asset Liability Management Policy, Investment Policy, Derivatives Policy etc., are put in place for the conduct of business exposed to market risk and also for effective management of all market risk exposures.</p> <p>The policies and practices also take care of monitoring and controlling of liquidity risk arising out of its banking and trading book operations.</p>
	<p>Structure and organization of risk management function:</p> <p>Risk Management Committee oversees bank-wide risk management. Asset Liability Management Committee (ALCO), also known as Market Risk Management Committee, is primarily responsible for establishing market risk management and asset liability management in the Bank, procedures thereof, implementing risk management guidelines issued by the regulator, best risk management practices followed globally and monitoring adherence to the internal parameters, procedures, practices/policies and risk management prudential limits.</p> <p>Bank has an independent Mid Office working on the floor of Treasury Department for market risk management functions like onsite monitoring of adherence to set limits, independent valuation and reporting of activities. This separate desk monitors market/operational risks in treasury/forex operations on a daily basis and reports directly to the Head of IRMD.</p>
	<p>Scope and nature of risk reporting / measurement systems:</p> <p>Bank has put in place regulatory / internal limits for various products and business activities relating to trading book. Bank also subjects NSLR investment exposures to credit rating. Limits for exposures to counterparties, industries and countries are monitored and risks are controlled through Stop Loss Limits, Overnight Limit, Daylight Limit, Aggregate Gap Limit, Individual Gap Limit, Inter-Bank dealing and investment limits etc. Parameters like Modified Duration, VaR etc are also used for risk management and reporting.</p>
	<p>Policies for hedging / mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges / mitigants:</p> <p>Policies for hedging / mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges / mitigants are discussed in ALCO and based on the views taken by / mandates given by ALCO, hedge deals / mitigation steps are undertaken.</p> <p>Liquidity risk of the Bank is assessed through Statement of Structural Liquidity and through Statement of Short Term Dynamic Liquidity. The liquidity profile of the Bank is measured on a static basis using the Statement of Structural Liquidity, and using statement of Short Term Dynamic Liquidity it is measured on a dynamic basis. Structural liquidity position is assessed on a daily basis and dynamic liquidity position is assessed on a fortnightly basis.</p> <p>Additional prudential limits on liquidity risk fixed as per ALM policy of the Bank are also monitored by ALCO on a quarterly basis. Interest rate risk is analyzed from earnings perspective using Traditional Gap Analysis and economic value perspective using Duration Gap Analysis on a monthly basis. Based on the analysis, steps are taken to minimize the impact of interest rate changes.</p> <p>Advance techniques such as Stress testing, sensitivity analysis etc. are conducted periodically to assess the impact of various contingencies.</p>



<b>3</b>	<b>Operational risk</b>
	<p>Strategies and processes:</p> <p>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. Bank has put in place a comprehensive bank-wide Business Continuity Plan to ensure continuity of critical operations of the Bank covering all identified disasters.</p> <p>All new schemes/products of the Bank are risk vetted from the point of view of operational risk, before implementation.</p>
	<p>Structure and organization of risk management function:</p> <p>Risk Management Committee oversees bank-wide risk management. Bank has put in place detailed framework for Operational Risk Management with a well-defined ORM Policy. Operational Risk Management Committee (ORMC) at the executive level oversees bank wide implementation of Board approved policies and processes in this regard. Apex level Business Continuity Plan Committee monitors the business continuity preparedness of the Bank on an ongoing basis.</p>
	<p>Scope and nature of risk reporting / measurement systems:</p> <p>Bank is collecting operational risk loss data directly from the loss originating points, with effect from 01.01.2009. In the year 2009, Bank also introduced separate accounting of operational risk events to enhance transparency and to enable effective monitoring of loss events. Well-designed system for reporting identified loss events and data in the most granular form is put in place. Operational Risk Management Cell is the central repository for operational loss data of the Bank. Consolidation and analysis of loss data is placed before the Operational Risk Management Committee on a quarterly basis.</p>
	<p>Policies for hedging / mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges/ mitigants:</p> <p>Bank is using insurance for mitigating operational risk. Bank is subscribing to the General Banker's Indemnity Policy as mitigation against loss of securities due to various external events. Bank also mitigates loss in other physical assets through property insurance.</p>
<b>4</b>	<b>Interest rate risk in Banking Book</b>
	<p>Strategies and processes:</p> <p>Interest Rate Risk is assessed in two perspectives – Earnings perspective using Traditional Gap Analysis to assess the impact of adverse movement in interest rate on the Net Interest Income (Earnings at Risk) and economic value perspective using Duration Gap Analysis to assess the impact of adverse movement in interest rate on the market value of Bank's equity.</p>
	<p>Structure and organization of risk management function:</p> <p>Risk Management Committee at the Board level and ALCO at the executive level are responsible for effective management of Interest Rate Risk in Bank's business. Board approved ALM Policy governs the interest rate risk management framework of the Bank.</p>



	<p>Scope and nature of risk reporting / measurement systems:</p> <p>Interest rate risk in Banking Book is measured and Modified Duration of Equity is evaluated on a monthly basis. The likely drop in Market Value of Equity for 200 bps change in interest rates is computed and benchmarked under the Internal Capital Adequacy Assessment Process for computation of Pillar II capital charge for Interest Rate Risk. Earnings at Risk based on Traditional Gap Analysis are calculated on a monthly basis. The results of Duration Gap Analysis as well as that of Traditional Gap Analysis including the adherence to tolerance limit set in this regard is monitored and is placed before ALCO / RMC for approval. Stress tests are conducted to assess the impact of interest rate risk under different stress scenarios on earnings of the Bank.</p>
	<p>Policies for hedging / mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges/ mitigants:</p> <p>Bank has put in place mitigating/hedging measures prescribed by Investment Policy, ALM Policy, Derivatives Policy and Stress Testing Policy.</p> <p>Risk profiles are analyzed and mitigating strategies/hedging process are suggested and operationalised by Treasury Department with the approval of Senior level Committees.</p>

#### Structure and organization of Bank's risk management function

Bank has put in place appropriate organizational framework for bank-wide management of risk on integrated basis. The structure ensures coordinated process for measuring and managing all types of risk on an enterprise-wide basis to achieve organizational goals. The structure assures adherence to regulatory stipulations. The structure is designed in tune with the general guidelines of Regulator.

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

There are three support committees of senior executives (CRMC, ALCO also known as MRMC, ORMC) responsible for implementation of policies and monitoring of level of risks in their respective domains. The Committees are headed by Managing Director & CEO. Senior executives from respective functional areas and risk management are members of the Committee. The Committees meet regularly to take stock of various facets of risk management function and place their reports to Board level Risk Management Committee. CRMC meets at least once in a month and ORMC meets at least once in a quarter. Depending on requirement, ALCO meets very often. Further, an apex level Business Continuity Plan Committee is constituted with the Managing Director & CEO as its head, to ensure continuity of critical operations of the Bank in the event of occurrence of disasters.

Single point management of different types of risks bank-wide is made functional through Integrated Risk Management Department. The Department is responsible for overall identification, measurement, monitoring and control of various types of risks faced by the Bank in its operations and compliance of risk management guidelines and policies issued by Regulator/Board. The Department has three separate Cells to look after three broad categories of risks. Independent Mid-Office functioning on the floor of Treasury Department is reporting directly to the Head of IRMD. The distinct risk Cells report to the Head of IRMD. The Head of IRMD reports to the Chief Risk Officer, who in turn reports directly to the Managing Director & CEO.



**TABLE DF – 3: CREDIT RISK: GENERAL DISCLOSURES**

1.	Qualitative disclosures
	Definitions of past due and impaired (for accounting purposes).
	1. Non Performing Assets
	<p>An asset including a leased asset becomes non-performing when it ceases to generate income for the bank. A non performing asset (NPA) is a loan or an advance where</p> <ol style="list-style-type: none"> <li>Interest and/or installment of principal remain overdue for a period of more than 90 days in respect of a term loan</li> <li>The account remains 'out of order' as indicated in paragraph 2 below, in respect of an Overdraft /Cash Credit (OD/CC)</li> <li>The bill remains overdue for a period of more than 90 days in case of bills purchased and discounted</li> <li>The installment of principal or interest thereon remains overdue for two crop seasons for short duration crops</li> <li>The installment of principal or interest thereon remains overdue for one crop season for long duration crops.</li> </ol> <p>An account is classified as NPA if the interest charged during any quarter is not serviced fully within 90 days from the end of the quarter.</p>
	<p>2. 'Out of Order' status</p> <p>An account is treated as 'Out of Order' if the outstanding balance remains continuously in excess of the sanctioned limit / drawing power. In cases where the outstanding balance in the principal operating account is less than the sanctioned limit / drawing power, but there are no credits continuously for 90 days as on the date of Balance Sheet or credits are not enough to cover the interest debited during the same period, these accounts are treated as out of order.</p>
	<p>3. 'Overdue'</p> <p>Any amount due to the bank under any credit facility is 'overdue' if it is not paid on the due date fixed by the bank.</p>
	<p>4. Credit Risk</p> <ol style="list-style-type: none"> <li>Inability or unwillingness of the counterparty to pay interest, repay principal or otherwise to fulfill their contractual obligations under loan agreements or other credit facilities</li> <li>Downgrading of counterparties whose credit instruments the Bank may be holding, causing the value of those assets to fall.</li> <li>Settlement Risk (possibility that the Bank may pay counterparty and fail to receive the corresponding settlement in return).</li> </ol>
	Discussion of the Bank's Credit Risk Management Policy
	<p>Bank has put in place a detailed Credit Risk Management Policy. Goal of this policy is to create a transparent framework for identification, assessment and effective management of credit risk in all operations of the Bank and to secure organizational strength and stability in the long run. The policy aims at contributing to the Bank's profitability by efficient and profitable utilization of a prudent proportion of the Bank's resources and maintaining a reasonably balanced portfolio of acceptable risk quality through diversification of credit risks. The policy also envisages optimizing returns with satisfactory spread over funding cost and overheads.</p> <p>The policy also deals with structure, framework and processes for effective management of inherent credit risk.</p>



Quantitative disclosures	Amount in ₹ Mn		
	Fund based exposure*	Non-fund based exposure**	Total
Total gross risk exposures (after accounting offsets in accordance with the applicable accounting regime and without taking into account the effects of credit risk mitigation techniques)	548640.67	49482.23	598122.90
Geographic distribution of exposures (same basis as adopted for segment reporting adopted for compliance with AS 17)			
Overseas			
Domestic	548640.67	49482.23	598122.90

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

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

#### INDUSTRY TYPE DISTRIBUTION OF EXPOSURES (with industry break up on same lines as prescribed for DSB returns)

(Amount in ₹ Mn)

Industry	Funded Exposure	Non Funded Exposure	Total Exposure	% to Gross Credit Exposure
<b>A. Mining and Quarrying</b>	<b>3531.90</b>	<b>122.80</b>	<b>3654.70</b>	<b>0.61%</b>
A.1 Coal	553.20	0.00	553.20	0.09%
A.2 Others	2978.70	122.80	3101.50	0.52%
<b>B. Food Processing</b>	<b>19635.30</b>	<b>57.00</b>	<b>19692.30</b>	<b>3.29%</b>
B.1. Sugar	5108.00	2.00	5110.00	0.85%
B.2. Edible Oils and Vanaspati	1406.00	6.90	1412.90	0.24%
B.3. Tea	164.10	4.00	168.10	0.03%
B.4. Coffee	38.50	0.00	38.50	0.01%
B.5. Others	12918.70	44.10	12962.80	2.17%
<b>C. Beverage(excl Tea &amp; Coffee) &amp; Tobacco(Sum of C.1 &amp; C.2)</b>	<b>956.10</b>	<b>0.00</b>	<b>956.10</b>	<b>0.16%</b>
C.1 Tobacco & Tobacco Products	334.0	0.00	334.0	0.06%
C.2 Others	0.00	0.00	0.00	0.00%
<b>D. Textiles</b>	<b>12078.50</b>	<b>50.30</b>	<b>12128.80</b>	<b>2.03%</b>
D.1. Cotton	4508.10	18.30	4526.40	0.76%
D.2. Jute	1045.80	6.60	1052.40	0.18%
D.3. Handicraft/Khadi(Non Priority)	248.90	0.00	248.90	0.04%
D.4. Silk	1381.90	0.00	1381.90	0.23%



D.5. Woolen	253.30	0.00	253.30	0.04%
D.6. Others	4640.50	25.40	4665.90	0.78%
<b>E. Leather &amp; Leather Products</b>	<b>1240.60</b>	<b>59.30</b>	<b>1299.90</b>	<b>0.22%</b>
<b>F. Wood &amp; Wood Products</b>	<b>2814.40</b>	<b>79.00</b>	<b>2893.40</b>	<b>0.48%</b>
<b>G. Paper &amp; Paper Products</b>	<b>5038.10</b>	<b>207.70</b>	<b>5245.80</b>	<b>0.88%</b>
<b>H. Petroleum, Coal Products and Nuclear Fuels</b>	<b>4420.30</b>	<b>5.80</b>	<b>4426.10</b>	<b>0.74%</b>
<b>I. Chemical &amp; Chemical Products</b>	<b>10391.50</b>	<b>191.40</b>	<b>10582.90</b>	<b>1.77%</b>
I.1. Fertilizers	108.90	105.00	213.90	0.04%
I.2. Drugs & Pharmaceuticals	3027.60	6.10	3033.70	0.51%
I.3. Petro Chemicals (Excluding under Infrastructure)	3959.70	5.80	3965.50	0.66%
I.4. Others	3295.30	74.50	3369.80	0.56%
<b>J. Rubber, Plastic and their Products</b>	<b>5626.70</b>	<b>184.70</b>	<b>5811.40</b>	<b>0.97%</b>
<b>K. Glass &amp; Glassware</b>	<b>577.50</b>	<b>18.70</b>	<b>596.20</b>	<b>0.10%</b>
<b>L. Cement &amp; Cement Products</b>	<b>3447.30</b>	<b>25.70</b>	<b>3473.00</b>	<b>0.58%</b>
<b>M. Basic Metal &amp; Metal Products</b>	<b>21938.20</b>	<b>765.70</b>	<b>22703.90</b>	<b>3.80%</b>
M.1. Iron & Steel	15452.10	367.00	15819.10	2.64%
M.2. Other Metal & Metal Products	6486.10	398.70	6884.80	1.15%
<b>N. All Engineering</b>	<b>7431.40</b>	<b>7166.80</b>	<b>14598.20</b>	<b>2.44%</b>
N.1. Electronics	411.50	0.10	411.60	0.07%
N.2. Others	7019.90	7166.70	14186.60	2.37%
<b>O. Vehicles, Vehicle Parts &amp; Transport Equipments</b>	<b>2042.00</b>	<b>328.80</b>	<b>2370.80</b>	<b>0.40%</b>
<b>P. Gems and Jewellery</b>	<b>1134.10</b>	<b>15.00</b>	<b>1149.10</b>	<b>0.19%</b>
<b>Q. Construction</b>	<b>680.70</b>	<b>64.50</b>	<b>745.20</b>	<b>0.12%</b>
<b>R. Infrastructure</b>	<b>61697.50</b>	<b>824.20</b>	<b>62521.70</b>	<b>10.45%*</b>
R.1. Transport	19548.40	237.30	19785.70	3.31%
R.1.1. Railways	0.00	0.00	0.00	0.00%
R.1.2. Roadways	15333.80	216.90	15550.70	2.60%
R.1.3. Airport	500.00	0.00	500.00	0.08%
R.1.4. Waterways	3714.60	20.40	3735.00	0.62%
R.1.5. Others	0.00	0.00	0.00	0.00%
R.2. Energy	30296.60	156.90	30453.50	5.09%*
R.2.1. Electricity (Generation-transportation & Distribution)	30296.60	156.90	30453.50	5.09%*
R.2.1.1. State Electricity Boards	5000.00	0.00	5000.00	0.84%
R.2.1.2. Others	25296.60	156.90	25453.50	4.26%
R.2.2. Oil (storage & pipeline)	0.00	0.00	0.00	0.00%
R.2.3. Gas/LNG (Storage & Pipeline)	0.00	0.00	0.00	0.00%
R.2.4. Others	0.00	0.00	0.00	0.00%
R.3. Telecommunication	86.40	6.80	93.20	0.02%



R.4. Others	11766.10	423.20	12189.30	2.04%
R.4.1. Water Sanitation	1369.70	84.50	1454.20	0.24%
R.4.2. Social & Commercial Infrastructure	7316.60	64.70	7381.30	1.23%
R.4.3. Others	3079.80	274.00	3353.80	0.56%
<b>S. Other Industries</b>	<b>5061.80</b>	<b>9598.20</b>	<b>14660.00</b>	<b>2.45%</b>
<b>Total Industry</b>	<b>169743.90</b>	<b>19765.60</b>	<b>189509.50</b>	

\* Total exposure to Infrastructure exceeds 5% of gross credit exposure

#### RESIDUAL CONTRACTUAL MATURITY BREAKDOWN OF ASSETS

(maturity bands as used in ALM returns are used)

(Amount in ₹ Mn)

	Cash	Balances with RBI	Balances with other banks	Investments	Advances	Fixed assets	Other assets	Total
Day 1	6042.37	73.52	3846.36	0.00	19580.55	0.00	4.75	29547.55
2 – 7 days	0.00	371.29	1397.56	22996.45	2813.40	0.00	0.00	27578.70
8-14 days	0.00	419.57	2003.58	0.00	2763.38	0.00	0.00	5186.53
15-28 days	0.00	663.71	2016.27	3245.39	5407.49	0.00	0.00	11332.86
29 days & up to 3 months	0.00	1541.21	4987.09	18834.70	20602.60	0.00	7.93	45973.53
Over 3 months & up to 6 months	0.00	1950.26	0.00	3628.98	21127.97	0.00	8.67	26715.88
Over 6 months & up to 1 year	0.00	4331.26	0.00	5142.30	66331.31	0.00	8.24	75813.11
Over 1 year & up to 3 years	0.00	9872.70	0.00	2632.47	203959.43	0.00	11054.58	227519.18
Over 3 years & up to 5 years	0.00	558.84	0.00	6919.41	42154.71	0.00	9.24	49642.20
Over 5 years	0.00	5218.20	0.00	177778.83	49620.20	4249.55	9765.15	246631.93
<b>Total</b>	<b>6042.37</b>	<b>25000.56</b>	<b>14250.86</b>	<b>241178.53</b>	<b>434361.04</b>	<b>4249.55</b>	<b>20858.56</b>	<b>745941.47</b>



**Asset Quality****Advances**

(Amount in ₹ Mn.)

<b>Amount of Non Performing Assets (Gross)</b>	<b>10874.10</b>
Substandard	4818.60
Doubtful 1	1607.87
Doubtful 2	2644.06
Doubtful 3	547.26
Loss	1256.31
Net NPA	3215.60
<b>NPA ratios</b>	
Gross NPAs to gross advances (%)	2.46%
Net NPAs to net advances (%)	0.74%
<b>Movement of NPAs (Gross)</b>	
Opening balance (balance as at the end of previous Fiscal)	15540.10
Additions during the period	5226.20
Reductions	9892.20
Closing balance	10874.10
<b>Movement of provisions for NPAs</b>	
Opening balance (balance as at the end of previous Fiscal)	10978.70
Provisions made during the period	2894.70
Write off / Write back of excess provisions	6661.70
Closing balance	7211.70

**Investments**

(Amount in ₹ Mn.)

Amount of Non Performing Investments	46.70
Amount of provisions held for Non Performing Investments	46.70
Movement of provisions for depreciation on investments	
Opening balance (balance as at the end of previous Fiscal)	98.79
Provisions made during the period	990.73
Write-off	0.00
Write-back of excess provisions	30.00
Closing balance	1059.52



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

1.	Qualitative disclosures
	For portfolios under the Standardized Approach;
	Names of credit rating agencies used, plus reasons for any changes.
	<p>Bank has approved all the six External Credit Rating Agencies accredited by RBI for the purpose of credit risk rating of domestic borrowal accounts that forms the basis for determining risk weights under Standardized Approach.</p> <p>External Credit Rating Agencies approved are:</p> <ol style="list-style-type: none"> <li>1. CRISIL</li> <li>2. CARE</li> <li>3. India Ratings and Research Private Limited (Formerly FITCH INDIA)</li> <li>4. ICRA</li> <li>5. Brickwork Ratings India Pvt. Ltd (BRICKWORK)</li> <li>6. SMERA Ratings Ltd</li> </ol> <p>Wherever short term rating is not available, long term rating grade is used to determine risk weight of the short term claims also. However, even if short term rating is available, it is not used to determine risk weight of long term claims.</p> <p>With respect to external credit rating, Bank is using long term ratings for risk weighting all long term claims and unrated short term claims on the same counterparty. However, short term rating of a counterparty is used only to assign risk weight to all short term claims of the obligor and not to risk weight unrated long term claims on the same counterparty</p> <p>For an unrated claim with respect to external credit rating, the Bank is using long term ratings for risk weighting both unrated long term claims as well as unrated short term claims on the same counterparty. However, short term rating of counterparty is only used to assign risk weight to unrated short term claims and not unrated long term claims of the same counterparty.</p> <p>Wherever external credit rating of guarantor is relevant, the same is used as the entity rating of the guarantor and not the rating of any particular issue of the guarantor. Whereas the entity ratings are used to risk weight specific unrated credit exposures of counterparty, rating of any credit exposure of the counterparty is not used to arrive at risk weight of that counterparty as guarantor.</p>
	Types of exposure for which each agency is used.
	<ol style="list-style-type: none"> <li>1. Rating by the agencies is used for both fund based and non-fund based exposures.</li> <li>2. Short Term Rating given by the agencies is used for exposure with contractual maturity of less than or equal to one year (except Cash Credit, Overdrafts and other Revolving Credits).</li> <li>3. Long Term Rating given by the agencies is used for exposures with contractual maturity of above one year and also for Cash Credit, Overdrafts and other Revolving Credits.</li> <li>4. Rating assigned to one particular entity within a corporate group is not used to risk weight other entities within the same group.</li> </ol>



	Description of the process used to transfer public issue ratings onto comparable assets in the Banking Book
	<p>The ratings available in public domain are mapped according to mapping process as envisaged in RBI guidelines on the subject.</p> <p>1. Issue Specific Ratings (Bank's own exposures or other issuance of debt by the same borrower constituent/ counterparty) or Issuer Ratings (borrower constituent/ counterparty) are applied to unrated exposures of the same borrower constituent/ counterparty subject to the following:</p> <p>Issue specific ratings are used where the unrated claim of the Bank ranks paripassu or senior to the rated issue / debt.</p> <p>2. Wherever issuer rating or issue specific ratings are used to risk weight unrated claims, such ratings are extended to entire amount of claim on the same counterparty.</p> <p>3. Ratings used for risk weighting purposes are confirmed from the websites of the rating agencies concerned.</p>

<b>2.</b>	<b>Quantitative disclosures</b>													
	Risk weight wise details of credit risk exposures (rated and unrated) after risk mitigation subject to the Standardized Approach (Credit equivalent amount of all exposures subjected to Standardized Approach, after risk mitigation)	<table border="1"> <thead> <tr> <th>Risk Weight</th> <th>Amount in ₹ Mn</th> </tr> </thead> <tbody> <tr> <td>Below 100 %</td> <td>437921.40</td> </tr> <tr> <td>100 %</td> <td>166291.72</td> </tr> <tr> <td>More than 100 %</td> <td>66046.74</td> </tr> <tr> <td>Deducted</td> <td>0.00</td> </tr> <tr> <td>Total</td> <td>670259.86</td> </tr> </tbody> </table>	Risk Weight	Amount in ₹ Mn	Below 100 %	437921.40	100 %	166291.72	More than 100 %	66046.74	Deducted	0.00	Total	670259.86
Risk Weight	Amount in ₹ Mn													
Below 100 %	437921.40													
100 %	166291.72													
More than 100 %	66046.74													
Deducted	0.00													
Total	670259.86													

**TABLE DF – 5: CREDIT RISK MITIGATION: DISCLOSURES FOR STANDARDIZED APPROACHES**

<b>1.</b>	<b>Qualitative disclosures</b>
	Disclosures on credit risk mitigation methodology adopted by the Bank that are recognized under the Standardized Approach for reducing capital requirements for credit risk
1.1	Policies and processes for, and an indication of the extent to which the bank makes use of, on- and off-balance sheet netting
	Bank has no practice of on-balance sheet netting for credit risk mitigation. Eligible collaterals taken for the exposures are separately earmarked and the exposures are expressed without netting.
1.2	Policies and processes for collateral valuation and management
	Bank has put in place Board approved policy on Credit Risk Management in which Collateral Management and credit risk mitigation techniques used by the Bank for both risk management and capital computation purposes are separately included. The Loan policy of the Bank covers various aspects of valuation of collaterals.
1.3	Description of the main types of collateral taken by the Bank



	<p>Collaterals used by Bank as risk mitigants for capital computation under Standardized Approach comprise eligible financial collaterals namely:</p> <ol style="list-style-type: none"> <li>1. Cash margin and fixed deposits of the counterparty with the Bank.</li> <li>2. Gold jewellery of purity 91.6% and above, the value of which is notionally converted to value of gold with 99.99% purity.</li> <li>3. Securities issued by Central and State Governments</li> <li>4. Kisan Vikas Patra and National Savings Certificates.</li> <li>5. Life Insurance Policies with a declared surrender value of an insurance company regulated by the insurance sector regulator.</li> <li>6. Debt securities rated by a chosen Credit Rating Agency in respect of which the bank is sufficiently confident of market liquidity of the security and where these securities are either: <ol style="list-style-type: none"> <li>a. Attracting 100% or lesser risk weight i.e. rated at least BBB (-) when issued by Public sector entities and other entities including banks and Primary Dealers or</li> <li>b. Attracting 100% or lesser risk weight i.e. rated at least A3 for short term debt instruments</li> </ol> </li> <li>7. Debt securities not rated by a chosen Credit Rating Agency in respect of which the bank is sufficiently confident of market liquidity of the security and where these securities are <ol style="list-style-type: none"> <li>a. Issued by the bank</li> <li>b. Listed on a recognized exchange</li> <li>c. Classified as senior debt</li> <li>d. All rated issues of the same seniority by the issuing Bank are rated at least BBB (-) or A3 by a chosen Credit Rating Agency</li> <li>e. The bank has no information to suggest that the issue justifies a rating below BBB (-) or A3 by a chosen Credit Rating Agency</li> </ol> </li> <li>8. Units of Mutual Funds regulated by the securities regulator of the jurisdiction of the Bank's operation and mutual funds where <ol style="list-style-type: none"> <li>a. A price for the units is publicly quoted daily i.e. where the daily NAV is available in public domain</li> <li>b. Mutual fund is limited to investing in the permitted instruments listed.</li> </ol> </li> </ol> <p>Bank has no practice of monitoring / controlling exposures on a net basis, though Bank is able to determine at any time loans/advances and deposits of the same counterparty. Netting benefit, even if available, is not utilized in capital computation under Basel III norms.</p>
1.4	<p>Main types of guarantor counterparty and their creditworthiness</p> <p>Bank considers guarantees, which are direct, explicit, irrevocable and unconditional for credit risk mitigation. Use of such guarantees for capital computation is strictly as per RBI guidelines on the subject.</p> <p>Main types of guarantor counterparties are</p> <ol style="list-style-type: none"> <li>a. Sovereigns (Central / State Governments)</li> <li>b. Sovereign entities like ECGC, CGTSI</li> <li>c. Banks and Primary Dealers with a lower risk weight than the counter party</li> </ol> <p>Other entities rate AA (-) or better. This would include guarantee cover provided by parent, subsidiary and affiliate companies when they have lower risk weight than the obligor. The rating of the guarantor should be an entity rating which has factored in all the liabilities and commitments (including guarantees) of the entity.</p>



1.5	Information on market / credit risk concentrations within the mitigation taken by the Bank
	<p>Majority of financial collaterals held by the Bank are by way of own deposits, government securities, Gold, Life Insurance Policies and other approved securities like NSC, KVP etc. Bank does not envisage market liquidity risk in respect of financial collaterals except in Gold and Units of Mutual Funds. Bank does not have exposure collateralized through units of eligible Mutual Funds. Personal loan exposures fully secured only by Gold comes to 6.18% of total gross credit exposures, in which Bank is maintaining adequate margin (minimum 20% to 25%) on value of securities. Risk mitigation by gold is also taken in the form of agricultural gold loans to the tune of 3.79% of gross credit exposure. Bank could successfully manage the risks posed by sudden reduction in gold price in the recent past. Measures warranted by the situation were timely taken. Bank has not experienced any significant market liquidity risk in Gold. Overall, financial collaterals do not have any issue in realization.</p> <p>Concentration on account of collateral is also relevant in the case of land &amp; building. Except in the case of housing loan to individuals and Loan Against Property (LAP), land and building is considered only as an additional security. As land and building is not recognized as eligible collateral under Standardized Approach, its value is not reduced from the amount of exposure in the process of computation of capital charge, and is used only in the case of housing loan to individuals and non performing assets to determine the appropriate risk weight. As such, there is no concentration risk on account of nature of collaterals.</p>

2.	Quantitative Disclosures	(Amount in ₹ Mn)		
2.1	Credit risk exposure covered by eligible financial collaterals			
	Type of exposure	Credit equivalent of gross exposure	Value of eligible financial collateral after haircuts	Net amount of credit exposure
A	Fund Based Exposure	89431.57	81797.56	7634.01
B	Non fund Based Exposure	29578.25	7657.67	21920.59
C	Securitization exposures – on balance sheet	0.00	0.00	0.00
D	Securitization exposures – off balance sheet	0.00	0.00	0.00
	TOTAL	119009.82	89455.23	29554.60
2.2	Credit risk exposure covered by guarantees			(Amt in ₹ Mn.)
	Type of exposure	Credit equivalent of gross exposure	Amount of guarantee (Credit equivalent)	
A	Fund Based Exposure	30304.10	21774.11	
B	Non fund Based Exposure	0.00	0.00	
C	Securitization exposures – on balance sheet	0.00	0.00	
D	Securitization exposures – off balance sheet	0.00	0.00	
	TOTAL	30304.10	21774.11	



**TABLE DF – 6: SECURITISATION: DISCLOSURES FOR STANDARDIZED APPROACH**

<b>1.</b>	<b>Qualitative disclosures</b>
1.1	<b>General disclosures on securitization exposures of the Bank</b>
A	Objectives of securitization activities of the Bank (including the extent to which these activities transfer credit risk of the underlying securitized exposures away from the Bank to other entities and nature of other risks inherent in securitized assets)
	Bank's securitization exposure is limited to investments in securitization instruments (Pass Through Certificates), primarily made in an earnings perspective and risks inherent in the investment is within reasonable levels.
B	Role of Bank in securitization processes (originator / investor/ service provider/ facility provider etc.) and extent of involvement in each activity.
	Bank has invested in rated securitized instruments and such investments are held in its Trading Book. Bank is not active in securitization processes in any other manner.
C	Processes in place to monitor changes in the credit and market risk of securitization exposures
	Bank is constantly monitoring the changes in credit and market risk profile of securitization instruments held in the Trading Book.
D	Bank's policy governing the use of credit risk mitigation to mitigate the risks retained through securitization exposures
	Bank has not retained any exposure/risk as originator of securitization transactions.
1.2	<b>Accounting policies for securitization activities</b>
A	Treatment of transaction (whether as sales or financings)
	N.A
B	Methods and key assumptions (including inputs) applied in valuing positions retained or purchased
	Income from investments in Pass Through Certificates is recognized on accrual basis. Income recognition is subjected to prudential norms stipulated by Reserve Bank of India in this regard.
C	Changes in methods and key assumptions from the previous period and impact of the changes
	No change is effected in methods and key assumptions used for valuation of investment in securitized instruments.
D	Policies for recognizing liabilities on the balance sheet for arrangements that could require the bank to provide financial support for securitized assets.
	Bank has not entered into any arrangement to provide financial support for securitized assets.
1.3	In the Banking Book, names of ECAs used for securitizations and the types of securitization exposures for which each agency is used.
	Bank does not have any securitization exposure in the Banking Book.



<b>2. Quantitative disclosures</b>		(Amount in ₹ Mn)						
2.1	In the Banking Book							
A	Total amount of exposures securitized by the Bank						Nil	
B	For exposures securitized, losses recognized by the Bank during the current period (exposure type wise breakup)						Nil	
C	Amount of assets intended to be securitized within a year						Nil	
D	Of (C) above, amount of assets originated within a year before securitization						Nil	
E	Securitization exposures (by exposure type) and unrecognized gain or losses on sale thereon							
	Type of exposure	Amount securitized			Unrecognized gain / loss			
	Nil	Nil			Nil			
	TOTAL							
F	Aggregate amount of on-balance sheet securitization exposures retained or purchased by the Bank (exposure type wise breakup)						Nil	
G	Aggregate amount of off-balance sheet securitization exposures (exposure type wise breakup)						Nil	
H	Aggregate amount of securitization exposures retained or purchased and associated capital charges (exposure type wise and risk weight wise breakup)							
	Type of exposure	Risk weights						
		20%	30%	50%	100%	150%	350%	400%
	Nil	----	----	----	----	----	----	----
I	Total amount of deductions from capital on account of securitization exposures						Nil	
	Deducted entirely from Tier I capital-underlying exposure type wise breakup						Nil	
	Credit enhancing interest only strips (I/Os) deducted from total capital – underlying exposure type wise breakup						Nil	
	Other exposures deducted from total capital – underlying exposure type wise breakup						Nil	
2.2	In the Trading Book							
A	Aggregate amount of exposures securitized by the Bank for which the Bank has retained some exposures, which is subject to Market Risk approach (exposure type wise details)							
	Type of exposure	Gross Amount			Amt retained			
	Nil	Nil			Nil			
B	Aggregate amount of on-balance sheet securitization exposures retained or purchased by the Bank (exposure type wise breakup)							
	Type of exposure						Amt in ₹ Mn.	
	Investment in Pass through Certificates						1057.17	
C	Aggregate amount of off-balance sheet securitization exposures (exposure type wise breakup)						Nil	
D	Securitization exposures retained / purchased subject to Comprehensive Risk Measure for specific risk						---	



E	Securitization exposures retained / purchased subject to specific risk capital charge (risk weight band wise distribution)		
	Type of Exposure	Capital charge as % to exposure	Exposure (₹ Mn.)
	Investment in Pass through Certificates	4.50%	1057.17
F	Aggregate amount of capital requirements for securitization exposures (risk weight band wise distribution)		
	Type of exposure	Capital charge as % to exposure	Capital charge ₹ Mn
	Investment in Pass through Certificates	4.50%	47.57
G	Total amount of deductions from capital on account of securitization exposures		Nil
	Deducted entirely from Tier I capital – underlying exposure type wise break up		Nil
	Credit enhancing interest only strips (I/Os) deducted from total capital – underlying exposure type wise break up		Nil
	Other exposures deducted from total capital – underlying exposure type wise break up		Nil

TABLE DF – 7: MARKET RISK IN TRADING BOOK

1.	<b>Qualitative disclosures</b>
1.1	Approach used for computation of capital charge for market risk
	<p>Bank has adopted Standardized Duration Approach as prescribed by RBI for computation of capital charge for general market risk and is fully compliant with such RBI guidelines. Bank uses VaR as an indicative tool for measuring Forex risk and Equity Price risk. Standardized Duration Approach is applied for computation of General Market Risk for</p> <ul style="list-style-type: none"> <li>◆ Securities under HFT category</li> <li>◆ Securities under AFS category</li> <li>◆ Open gold position limits</li> <li>◆ Open foreign exchange position limits</li> <li>◆ Trading positions in derivatives</li> <li>◆ Derivatives entered into for hedging trading book exposures</li> </ul> <p>Specific capital charge for market risk is computed based on risk weights prescribed by the Regulator.</p>
1.2	Portfolios covered in the process of computation of capital charge
	Investment portfolio under AFS and HFT, Gold and Forex open positions and Derivatives entered for trading and hedging.



(Amount in ₹ Mn)

<b>2.</b>	<b>Quantitative disclosures</b>	
2.1	Minimum capital requirements for market risk as per Standardized Duration Approach	2761.18
	Interest rate risk	1692.82
	Foreign exchange risk (including gold)	180.00
	Equity position risk	888.36

**TABLE DF – 8: OPERATIONAL RISK**

1.	Qualitative disclosures
1.1	Approach used for computation of capital charge for operational risk (and for which the Bank is qualified)
	Bank has adopted Basic Indicator Approach as prescribed by RBI for computation of capital charge for operational risk. Bank has initiated steps to move on to the Advanced Measurement Approach in due course.

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

1.	Qualitative disclosures
1.1	Brief description of approach used for computation of interest rate risk and nature of IRRBB.
	Interest Rate Risk for the Banking Book is assessed through Duration Gap Analysis and Traditional Gap Analysis. In Traditional Gap Analysis, the impact of changes in interest rates on Banks' earnings due to changes in Net Interest Income is assessed. i.e., earnings perspective is taken care in this method whereas in Duration Gap Analysis, the economic value perspective is taken care of. Duration Gap Analysis measures the level of Banks exposure to interest rate risk in terms of sensitivity of Market Value of its Equity (MVE) to interest rate movements.
1.2	Key assumptions used in Duration Gap Analysis (DGA) and computation of capital charge for Interest Rate Risk (including assumptions on prepayment of loans and behavior of non-maturity deposits)
	Board approved assumptions as stipulated in applicable policies are used in Duration Gap Analysis and computation of capital charge for Interest Rate Risk. The following are the key assumptions involved:
1)	As indicated by RBI, assets and liabilities are grouped under the broad heads under various time buckets and bucket wise modified duration of these groups is computed using the suggested common maturity, coupon and yield parameters.
2)	Advances linked to BPLR and Base Rate has been placed in the bucket of 29 days to 3 months as per Bank's interest rate expectations.
3)	All the future cash flows (future repricing amount) bucket wise are discounted with midpoint of the bucket and suggested yield to get more accurate treatment of cash flows. The same present value is considered to arrive at the weighted Modified duration of each asset and liability and further to get the weighted modified duration of Liabilities and Assets.



4)	Bank's average standard advances covering Bills Purchased / Discounted, Cash Credits/ Overdrafts and term loans are mapped to appropriate external ratings. Yield curve for BBB rated corporate bonds is used as a proxy for yield for Banks' average standard advances for arriving at the Modified Duration of Advances. Usual bucketing applicable to the Statement of Interest Rate Sensitivity is also made applicable to the duration of Equity calculations. Last bucket for both liabilities and assets is approximated as above 15 years.
1.3	Frequency of measurement of interest rate risk
	Measurement and Computation of Interest rate risk in Banking Book and evaluation of Modified Duration of Equity is done by the Bank on a monthly basis. Bank also calculates on a monthly basis the likely drop in Market Value of Equity with 200 bps change in interest rates. Earnings-at-Risk for the banking book due to uniform change of 100 bps in interest rates is measured on a monthly basis using Traditional Gap Analysis.

2.	Quantitative disclosures - IRRBB	(Amt in ₹ Mn.)
2.1	Earnings perspective (Traditional Gap Analysis)	
	Earnings at Risk (EaR) – impact for one year due to	
	Uniform 1% increase in interest rate	1715.03
	Uniform 1% decrease in interest rate	
2.2	Economic value perspective – percentage and quantum of decrease in market value of equity on account of 1% uniform increase in interest rate	4.16% 2858.09

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

**TABLE DF – 10: General Disclosure for Exposure Related to Counterparty Credit Risk**

Qualitative disclosures		
Bank has put in place Counterparty Credit Risk limits for banks as counterparty, based on internal rating of the counterparty bank and with the approval of the Board. Counterparty exposures for other entities are subject to comprehensive exposure ceilings fixed by the Board. Capital for Counterparty Credit Risk is assessed based on the Standardized Approach.		
Quantitative disclosures		
The Bank does not recognize bilateral netting, except in the case of credit exposures to Qualified Central Counter Party (QCCP) as permitted by RBI. The credit equivalent amounts of derivatives that are subjected to risk weighting are calculated as per the Current Exposure Method. The balance outstanding and the current exposure thereof are as follows:		
(Amount in ₹ Mn.)		
Particulars	Notional Amounts	Current Exposure
Foreign exchange contracts	137812.28	1402.35
Interest rate derivative contracts	12500.00	170.53
Total	150312.28	1572.88



TABLE DF 11- Composition of Capital		(Amount in ₹ Mn.)		
Basel III common disclosure template to be used during the transition of regulatory adjustments (i.e. from April 1, 2013 to December 31, 2018)		Amounts subject to Pre-Basel III Treatment	Ref No	
<b>Common Equity Tier 1 capital: instruments and reserves</b>				
1	Directly issued qualifying common share capital plus related stock surplus (share premium)	26472.58		a+d
2	Retained earnings	4130.33		h
3	Accumulated other comprehensive income (and other reserves)	37954.08		b+e+f+g+i
4	Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)	0.00		
<b>Public sector capital injections grandfathered until 1 January 2018</b>		0.00		
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	0.00		
6	<b>Common Equity Tier 1 capital: before regulatory adjustments</b>	68556.99		
<b>Common Equity Tier 1 capital: regulatory adjustments</b>				
7	Prudential valuation adjustments	0.00		
8	Goodwill (net of related tax liability)	0.00		
9	Intangibles other than mortgage-servicing rights (net of related tax liability)	772.90		m
10	Deferred tax assets	14.63		l
11	Cash-flow hedge reserve	0.00		
12	Shortfall of provisions to expected losses	0.00		
13	Securitisation gain on sale	0.00		
14	Gains and losses due to changes in own credit risk on fair valued liabilities	0.00		
15	Defined-benefit pension fund net assets	0.00		
16	Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	0.00		
17	Reciprocal cross-holdings in common equity	4.00	6.00	
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	0.00		



19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	0.00		
20	Mortgage servicing rights (amount above 10% threshold)	0.00		
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	0.00		
22	Amount exceeding the 15% threshold	0.00		
23	of which: significant investments in the common stock of financial entities			
24	of which: mortgage servicing rights	0.00		
25	of which: deferred tax assets arising from temporary differences	0.00		
26	National specific regulatory adjustments (26a+26b+26c+26d)	336.80		
26 a	of which: Investments in the equity capital of the unconsolidated insurance subsidiaries	0.00		
26 b	of which: Investments in the equity capital of unconsolidated non-financial subsidiaries	0.00		
26 c	of which: Shortfall in the equity capital of majority owned financial entities which have not been consolidated with the bank	0.00		
26 d	of which: Unamortised pension funds expenditures	336.80		
	Regulatory Adjustments Applied to Common Equity Tier 1 in respect of Amounts Subject to Pre-Basel III Treatment	0.00		
	of which: [INSERT TYPE OF ADJUSTMENT] For example: filtering out of unrealised losses on AFS debt securities (not relevant in Indian context)	0.00		
	of which: [INSERT TYPE OF ADJUSTMENT]	0.00		
	of which: [INSERT TYPE OF ADJUSTMENT]	0.00		
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	0.00		
28	Total regulatory adjustments to Common equity Tier 1	1128.33		
29	Common Equity Tier 1 capital (CET1)	67428.66		



<b>Additional Tier 1 capital: instruments</b>				
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus (31+32)	0.00		
31	of which: classified as equity under applicable accounting standards (Perpetual Non-Cumulative Preference Shares)	0.00		
32	of which: classified as liabilities under applicable accounting standards (Perpetual debt Instruments)	0.00		
33	Directly issued capital instruments subject to phase out from Additional Tier 1	0.00		
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	0.00		
35	of which: instruments issued by subsidiaries subject to phase out	0.00		
36	Additional Tier 1 capital before regulatory adjustments	0.00		
<b>Additional Tier 1 capital: regulatory adjustments</b>				
37	Investments in own Additional Tier 1 instruments	0.00		
38	Reciprocal cross-holdings in Additional Tier 1 instruments	0.00		
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	0.00		
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	0.00		
41	National specific regulatory adjustments (41a+41b)	0.00		
41a	Investments in the Additional Tier 1 capital of unconsolidated insurance subsidiaries	0.00		
41b	Shortfall in the Additional Tier 1 capital of majority owned financial entities which have not been consolidated with the bank	0.00		
	Regulatory Adjustments Applied to Additional Tier 1 in respect of Amounts Subject to Pre-Basel III Treatment of which: [INSERT TYPE OF ADJUSTMENT e.g. DTAs]	0.00		



	of which: [INSERT TYPE OF ADJUSTMENT e.g. existing adjustments which are deducted from Tier 1 at 50%]	0.00		
	of which: [INSERT TYPE OF ADJUSTMENT]	0.00		
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	0.00		
43	<b>Total regulatory adjustments to Additional Tier 1 capital</b>	0.00		
44	<b>Additional Tier 1 capital (AT1)</b>	0.00		
44	<b>Additional Tier 1 capital reckoned for capital adequacy</b>	0.00		
a				
45	<b>Tier 1 capital (T1 = CET1 + AT1) (29 + 44a)</b>	<b>67428.66</b>		
<b>Tier 2 capital: instruments and provisions</b>				
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	800.00		j
47	Directly issued capital instruments subject to phase out from Tier 2	0.00		
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	0.00		
49	of which: instruments issued by subsidiaries subject to phase out	0.00		
50	Provisions	2483.33		c+k
51	<b>Tier 2 capital before regulatory adjustments</b>	<b>3283.33</b>		
<b>Tier 2 capital: regulatory adjustments</b>				
52	Investments in own Tier 2 instruments	0.00		
53	Reciprocal cross-holdings in Tier 2 instruments	1.15	1.72	
54	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)	0.00		
55	Significant investments <sup>13</sup> in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	0.00		
56	National specific regulatory adjustments (56a+56b)	0.00		
56	of which: Investments in the Tier 2 capital of unconsolidated subsidiaries	0.00		
a				



56	of which: Shortfall in the Tier 2 capital of majority owned financial entities which have not been consolidated with the bank	0.00		
	Regulatory Adjustments Applied To Tier 2 in respect of Amounts Subject to Pre-Basel III Treatment	0.00		
	of which: [INSERT TYPE OF ADJUSTMENT e.g. existing adjustments which are deducted from Tier 2 at 50%]	0.00		
	of which: [INSERT TYPE OF ADJUSTMENT]	0.00		
57	<b>Total regulatory adjustments to Tier 2 capital</b>	1.15		
58	<b>Tier 2 capital (T2)</b>	3282.18		
58	<b>Tier 2 capital reckoned for capital adequacy</b>	3282.18		
a				
58	<b>Excess Additional Tier 1 capital reckoned as Tier 2 capital</b>	0.00		
b				
58	<b>Total Tier 2 capital admissible for capital adequacy (58a + 58b)</b>	3282.18		
c				
59	<b>Total capital (TC = T1 + T2) (45 + 58c)</b>	<b>70710.84</b>		
	Risk Weighted Assets in respect of Amounts Subject to Pre-Basel III Treatment			
	of which: Reciprocal Crossholding in Common Equity	13.50		
	of which: Reciprocal Crossholding in Tier II instruments	3.88		
60	Total risk weighted assets (60a + 60b + 60c)	<b>460986.42</b>		
60	of which: total credit risk weighted assets	391131.71		
a				
60	of which: total market risk weighted assets	30679.77		
b				
60	of which: total operational risk weighted assets	39174.94		
c				
<b>Capital ratios</b>				
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	14.63%		
62	Tier 1 (as a percentage of risk weighted assets)	14.63%		
63	Total capital (as a percentage of risk weighted assets)	15.34%		
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation and countercyclical buffer requirements, expressed as a percentage of risk weighted assets)			
65	of which: capital conservation buffer requirement			



66	of which: bank specific countercyclical buffer requirement			
67	of which: G-SIB buffer requirement			
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	9.13%		
<b>National minima (if different from Basel III)</b>				
69	National Common Equity Tier 1 minimum ratio (if different from Basel III minimum)	5.50%		
70	National Tier 1 minimum ratio (if different from Basel III minimum)	7.00%		
71	National total capital minimum ratio (if different from Basel III minimum)	9.00%		
<b>Amounts below the thresholds for deduction (before risk weighting)</b>				
72	Non-significant investments in the capital of other financial entities	1830.79		
73	Significant investments in the common stock of financial entities	2080.00		
74	Mortgage servicing rights (net of related tax liability)	0.00		
75	Deferred tax assets arising from temporary differences (net of related tax liability)	0.00		
<b>Applicable caps on the inclusion of provisions in Tier 2</b>				
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	2455.78		
77	Cap on inclusion of provisions in Tier 2 under standardised approach	4889.15		
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	NA		
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	NA		
<b>Capital instruments subject to phase-out arrangements (only applicable between March 31, 2017 and March 31, 2022)</b>				
80	Current cap on CET1 instruments subject to phase out arrangements	NA		
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	NA		
82	Current cap on AT1 instruments subject to phase out arrangements	NA		



83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	NA		
84	Current cap on T2 instruments subject to phase out arrangements	NA		
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	NA		

Note to the Template		
Row No. of the template	Particular	₹ in million
10	Deferred tax assets associated with accumulated losses	0.00
	Deferred tax assets (excluding those associated with accumulated losses) net of Deferred tax liability	14.63
	Total as indicated in row 10	14.63
19	If investments in insurance subsidiaries are not deducted fully from capital and instead considered under 10% threshold for deduction, the resultant increase in the capital of bank	1187.36
	of which: Increase in Common Equity Tier 1 capital	1187.36
	of which: Increase in Additional Tier 1 capital	0.00
	of which: Increase in Tier 2 capital	0.00
26 b	If investments in the equity capital of unconsolidated non-financial subsidiaries are not deducted and hence, risk weighted then:	0.00
	(i) Increase in Common Equity Tier 1 capital	0.00
	(ii) Increase in risk weighted assets	0.00
44 a	Excess Additional Tier 1 capital not reckoned for capital adequacy (difference between Additional Tier 1 capital as reported in row 44 and admissible Additional Tier 1 capital as reported in 44a)	0.00
	of which: Excess Additional Tier 1 capital which is considered as Tier 2 capital under row 58b	0.00
50	Eligible Provisions included in Tier 2 capital	2455.78
	Eligible Revaluation Reserves included in Tier 2 capital	27.55
	Total of row 50	2483.33
58 a	Excess Tier 2 capital not reckoned for capital adequacy (difference between Tier 2 capital as reported in row 58 and T2 as reported in 58a)	0.00



Table DF-12		₹ in million	
<b>Composition of Capital: Reconciliation Requirements Step 1</b>		Balance sheet as in financial statements 31/03/2014	Balance sheet under regulatory scope of consolidation 31/03/2014
<b>A</b>	<b>Capital &amp; Liabilities</b>		
i	Paid-up Capital	1710.62	1710.62
	Reserves & Surplus	67795.28	66896.46
	Minority Interest		
	<b>Total Capital</b>	<b>69505.90</b>	<b>68607.08</b>
ii	Deposits	<b>597312.82</b>	<b>597290.39</b>
	of which: Deposits from banks	8201.02	8201.02
	of which: Customer deposits	436269.21	436246.78
	of which: Other deposits (pl. specify)	0.00	0.00
iii	Borrowings	<b>56879.58</b>	<b>57675.36</b>
	of which: From RBI	4450.00	4450.00
	of which: From banks	322.00	1117.78
	of which: From other institutions & agencies	52107.58	52107.58
	of which: Others (pl. specify)	0.00	0.00
	of which: Capital instruments	2300.00	2300.00
iv	Other liabilities & provisions	<b>22243.16</b>	<b>22875.54</b>
	<b>Total Liabilities</b>	<b>745941.46</b>	<b>746448.37</b>
<b>B</b>	<b>Assets</b>		
i	Cash and balances with Reserve Bank of India	<b>31042.93</b>	<b>31083.71</b>
	Balance with banks and money at call and short notice	<b>14250.86</b>	<b>14258.07</b>
ii	Investments:	<b>241178.53</b>	<b>238385.89</b>
	of which: Government securities	158778.79	158778.79
	of which: Other approved securities	0.00	0.00
	of which: Shares	1757.65	1757.65
	of which: Debentures & Bonds	11869.58	11869.58
	of which: Subsidiaries / Joint Ventures / Associates	3980.00	1187.36
	of which: Others (Commercial Papers, Mutual Funds etc.)	64792.50	64792.50
iii	Loans and advances	<b>434361.03</b>	<b>437038.11</b>
	of which: Loans and advances to banks	46.61	46.61
	of which: Loans and advances to customers	434314.42	436991.49
iv	Fixed assets	<b>4249.55</b>	<b>4364.59</b>
v	Other assets	<b>20858.56</b>	<b>21318.00</b>



	of which: Goodwill and intangible assets		
	of which: Deferred tax assets	0.00	14.63
vi	Goodwill on consolidation		
vii	Debit balance in Profit & Loss account		
	<b>Total Assets</b>	<b>745941.46</b>	<b>746448.37</b>

TABLE DF-12		₹ in million		
	Composition of Capital: Reconciliation Requirements Step 2	Balance sheet as in financial statements 31/03/2014	Balance sheet under regulatory scope of consolidation 31/03/2014	Ref No.
<b>A</b>	<b>Capital &amp; Liabilities</b>			
i	Paid-up Capital	<b>1710.62</b>	<b>1710.62</b>	
	of which: Amount eligible for CET1	1710.62	1710.62	a
	of which: Amount eligible for AT1	0.00	0.00	
	Reserves & Surplus	<b>67795.28</b>	<b>66896.46</b>	
	Of which	0.00	0.00	
	-Statutory Reserve	14887.48	14887.48	b
	-Revaluation Reserve (Part of Tier II at a discount of 55%)	50.09	50.09	c
	-Share premium	24761.96	24761.96	d
	-Capital Reserve	2065.21	2065.21	e
	-Revenue and other reserves	17855.94	17894.06	f
	-Contingency reserve	301.00	301.00	g
	- Balance in Profit and loss account at the end of the previous financial year	5163.89	4130.33	h
	- Current Financial year profit	2709.71	2806.33	i
	Minority Interest	0.00	0.00	
	<b>Total Capital</b>	<b>69505.90</b>	<b>68607.08</b>	
ii	Deposits	<b>597312.82</b>	<b>597290.39</b>	
	of which: Deposits from banks	8201.02	8201.02	
	of which: Customer deposits	436269.21	436246.78	
	of which: Other deposits (pl. specify)	0.00	0.00	
iii	Borrowings	<b>56879.58</b>	<b>57675.36</b>	
	of which: From RBI	4450.00	4450.00	
	of which: From banks	322.00	1117.78	
	of which: From other institutions & agencies	52107.58	52107.58	
	of which: Others	0.00	0.00	



	of which: Capital instruments (Tier II bonds)	2300.00	2300.00	
	- Recognised under Tier II	800.00	800.00	j
	- Not Recognised under Tier II	1500.00	1500.00	
iv	Other liabilities & provisions	<b>22243.16</b>	<b>22875.54</b>	
	of which: DTLs related to goodwill	0.00	0.00	
	of which: DTLs related to intangible assets	2856.60	0.00	
	of which: Standard asset provision included under Tier II	2455.78	2455.78	k
	<b>Total Liabilities</b>	<b>745941.46</b>	<b>746448.37</b>	
<b>B</b>	<b>Assets</b>			
i	Cash and balances with Reserve Bank of India	<b>31042.93</b>	<b>31083.71</b>	
	Balance with banks and money at call and short notice	<b>14250.86</b>	<b>14258.07</b>	
ii	Investments	<b>241178.53</b>	<b>238385.89</b>	
	of which: Government securities	158778.79	158778.79	
	of which: Other approved securities	0.00	0.00	
	of which: Shares	1757.65	1757.65	
	of which: Debentures & Bonds	11869.58	11869.58	
	of which: Subsidiaries / Joint Ventures / Associates	3980.00	1187.36	
	of which: Others (Commercial Papers, Mutual Funds etc.)	64792.50	64792.50	
iii	Loans and advances	<b>434361.03</b>	<b>437038.11</b>	
	of which: Loans and advances to banks	46.61	46.61	
	of which: Loans and advances to customers	434314.42	436991.49	
iv	Fixed assets	<b>4249.55</b>	<b>4364.59</b>	
v	Other assets	<b>20858.56</b>	<b>21318.00</b>	
	a Other intangibles (excluding MSRs)	0.00	0.00	
	b Deferred tax assets	0.00	14.63	l
	c MAT credit entitlement	772.90	772.90	m
	d Unamortised pension	336.80	336.80	n
vi	Goodwill on consolidation	0.00	0.00	
vi	Debit balance in Profit & Loss account	0.00	0.00	
	<b>Total Assets</b>	<b>745941.46</b>	<b>746448.37</b>	



## FEDBANK FINANCIAL SERVICES LIMITED

### DIRECTORS' REPORT

Dear Shareholders,

Your Directors present the 19th Annual Report of Fedbank Financial Services Limited with the audited statement of accounts for the year ended 31st March, 2014.

**Business Background:** Your Company is primarily into lending against gold ornaments, property and distributing, in the main, financial products of Federal Bank. The main streams of income for your Company are interest income and fee-based income. The major expenses for your Company are interest expense, business sourcing expense and cost of running the operations.

### FINANCIAL HIGHLIGHTS

The results of the Company for the financial years 2013-14 and 2012-13 are summarized as under

Financial Performance	For the year ended	
	31/03/2014	31/03/2013
Net Interest Income	45.70	61.63
Fees and Other Income	7.49	5.21
Net Revenues	53.19	66.84
Operating Expense	52.50	45.69
Operating Profit	0.68	21.14
Net Profit	-2.91	14.12
Appropriations:		
Transfer to Reserve Fund	0.00	2.82
Transfer to General Reserve	0.00	0.00
Transfer to Capital Reserve	0.00	0.00
Proposed Dividend	0.00	7.06
Provision for Dividend Tax	0.00	1.20
Balance Carried Over to Balance Sheet	-4.43	-1.52
<b>Financial Position</b> (as on)	<b>31/03/2014</b>	<b>31/03/2013</b>
Borrowings	163.51	280.02
Advances	351.64	458.69
Total Assets (Balance Sheet Size)	380.62	493.51
Equity Capital	190.00	190.00
<b>Ratios</b>		
Return on Total Assets (%)	-0.67	3.32
Return on Equity (%)	-1.53	7.46
Earnings Per Share (Rs)	-0.15	0.74
Book Value per share	9.97	10.12
Cost to Income ratio (%)	98.00	68.00
Capital Adequacy Ratio (%)	50.88	39.82

### Year under Review:

Loans against Properties (LAP) portfolio, which was launched in FY 13, increased from ₹ 4.37 Cr to ₹ 107.34 Cr.

Gross advances stood at ₹ 351.64Cr as against ₹ 458.69Cr in the previous year – a decline of 23%.

Gold loan portfolio decreased from ₹ 454.32 Cr to ₹ 219.30 Cr – a sharp drop of 52%.

Disbursement of loans sourced by the company stood at ₹ 260.61 Cr compared to the figures of last year amounting to ₹ 281.83 Cr – a drop of 8%.

Wholesale lending, as a new business unit, was launched in the last quarter of the year and had a portfolio of ₹ 25 Cr as at 31st March 2014.

Net Income of your Company decreased from ₹ 66.84 Cr in 2012-13 to ₹ 53.19 Cr in 2013-14; registering a decline of 20% YOY.

Profit (Loss) after Tax was at ₹ (2.91) Cr in 2013-14 as compared to ₹ 14.12 Cr in 2012-13.

During the year, the weak business environment, coupled with the fall in gold prices, contributed to an increase in loan delinquencies and consequently a lower realization from the sale of pledged gold.

With a view to accomplishing cost and operating synergies, your Company consolidated its network of 172 branches to 167 branches, as of 31st March 2014. With the decline in the Gold loan portfolio, your Company has initiated a business consolidation exercise in April 2014 whereby 35 unprofitable branches are being eliminated through a merger with the nearest branch to save on operating costs in terms of staff costs, rent costs and other administration and establishment costs. As a part of this exercise, the impairment in the value of the branch assets to the tune of ₹ 0.68Cr was recognized in FY 2013-14.

Your Company has already started diversifying its revenue stream during the year from Gold Loans and distribution of third party products to Loans against Property and Wholesale lending; along with this, the operating model of the existing business units are also being reviewed to



achieve a reduction in the fixed costs.

#### **EMPLOYEE PRODUCTIVITY**

Business per employee of the company during the year has gone down to ₹ 8.04 Lakh from ₹ 11.21 Lakh in the previous year. Profit (Loss) per employee of the company during the year has gone down to ₹ (0.67) Lakh from ₹ 1.79 Lakh in the previous year.

As of the 31st of March 2014, your Company had 800 employees on its payroll and the average age of employees being 31 years. In line with the consolidation and rationalization plans, the contribution of managers and employees is being regularly re-assessed; so as to enhance employee performance and productivity.

#### **ASSET QUALITY**

Your Company's gross NPA and Net NPA (excluding technically written off accounts) improved to 0.46% and 0.00% respectively as against 1.02% and 0.53 % as at the end of March, 2013.

The Company has written off an amount of ₹ 9.71 Cr (₹ 4.82 Cr of principal and ₹ 4.89 Cr of interest) during FY 13-14 as against ₹ 2.91 Cr (₹ 2.60 Cr of principal and ₹ 0.31 Cr of interest) during FY 12-13; with fresh accretions to the NPA portfolios being effectively contained.

#### **APPROPRIATION INCLUDING DIVIDEND**

During the year under review, no amount was transferred to the Statutory Reserve created under section 45-IC of the Reserve Bank of India Act, 1934; as the Company incurred a net loss. Hence the Directors do not recommend any dividend on the equity shares.

The Capital and Reserves of the Company as on March 31, 2014 stood at ₹189.38 Cr.

#### **CAPITAL ADEQUACY RATIO**

The Company's capital adequacy ratio was 50.88% as on 31st March 2014 which is significantly above the threshold limit prescribed by the Reserve Bank of India.

#### **RESOURCE MOBILISATION**

Your Company has diversified its funding sources and obtained credit limits from a few banks. The aggregate amount of sanctioned working capital limits available from

Banks decreased from ₹ 375 Cr (PY) to ₹ 300 Cr; since the Gold Loan portfolio shrunk by 52%.

Your Company's Commercial paper was placed with various mutual funds and financial institutions at competitive rates; enabling the Company to reduce the overall cost of borrowings.

During the year under review, a sum of ₹ 670 Cr was raised by way of issuing commercial paper as against ₹ 1140 Cr being raised during FYE '13.

As of 31st March 2014, aggregate borrowings from Banks stood at ₹163.51 Crore.

#### **CREDIT RATINGS**

The Company's short-term borrowing program enjoys the highest rating of A1+ from CRISIL. A1+ indicates a very strong degree of safety with regard to timely payment of interest and principal.

The Company also enjoys a long term rating of AA- from CARE for its long term borrowings. AA- indicates a high degree of safety with regard to timely servicing of financial obligations.

#### **PUBLIC DEPOSITS**

The Company has not accepted any public deposits and as such, no amount of principal or interest on public deposits was outstanding as on the date of the Balance Sheet.

#### **COMPLIANCE WITH RBI GUIDELINES**

Your Company has complied with all the regulations of Reserve Bank of India as on 31st March 2014; applicable to it as a Non-Banking Finance Company.

#### **INTERNAL CONTROLS**

Your Company has an adequate internal controls system commensurate with the size and nature of its business. The primary objective of the internal control system is to ensure that the operations are being run effectively and efficiently to prevent any revenue leakage; that all its assets are safeguarded and protected; and that all applicable laws and regulations are being complied with.

The Company has an Audit and Inspection Department which conducts regular internal audits to examine the adequacy and compliance with processes, policies, plans



and statutory requirements. The audit function is decentralized to match the requirements of exercising proper control over a nation-wide network of the Company. Significant audit observations and follow up actions are reported to the Audit Committee of the Board. The Audit Committee reviews the adequacy and effectiveness of the Company's internal control environment and monitors the implementation of audit recommendations.

The company has appointed M/s. S C Mehra & Associates (Chartered Accountants, Mumbai) to conduct the internal audit of functions which are being carried out at non-branch locations including Head Office.

#### STATUTORY AND REGULATORY DEVELOPMENTS

The company has put in place a policy on prevention of sexual harassment of employees during FY 2012 as per the guidelines of the Hon'ble Supreme Court. The existing policy is being suitably amended, as required by the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 (effective from 9th Dec 2013). As per Section 22 of the said Act, the number of cases filed under the said Act, so far, is nil.

The Reserve Bank of India vide circular no: DNBS.CC.PD. No.356 /03.10.01/2013-14 dated 16th September 2013 directed all NBFCs (excluding PDs) to disclose in their Annual Reports the details of the auctions conducted during the financial year including the number of loan accounts, the outstanding amounts, the value realized and whether any of its sister concerns participated in the auction.

The details of the same are as follows:

Particulars	Total*
No. of Loan Accounts	9,792
Outstanding Amount (₹ in Cr)	78.16
Value Realized (₹ in Cr)	68.31

\*No sister concern of the Company participated in any of the above auctions.

#### BOARD OF DIRECTORS

The Board of Directors, as of May 31st 2014, consists of six members including the Chairman. During the financial

year 2013-14, the Board met eight times.

During the year, Mr. P H Ravikumar and Mr. P C Cyriac resigned and in their place Mr. Sudhir Joshi and Prof. Abraham Koshy were appointed as Directors in the last Annual General Meeting with effect from 4th June 2013.

Due to the casual vacancy caused by the resignation of Mr. Sudhir Joshi, Mr. Harish Engineer was appointed as a Director with effect from 14th Jan 2014.

Due to the casual vacancy caused by the resignation of Mr. Harish Engineer, Mr. Dilip Sadarangani was appointed as a Director with effect from 1st April 2014.

The Board places on record the contributions of Mr. P H Ravikumar, Mr. P C Cyriac, Mr. Sudhir Joshi and Mr. Harish Engineer; during their tenure as Directors of the Company. Mr. Dilip Gena Sadarangani has wide experience in Banking, Banking Technology and Banking Operations, which includes the management, maintenance and support of IT software projects as well as IT operations. He has developed and put in place processes and IT policies and continuity plans in three leading Banks in India, Australia and Kuwait.

Mr. Dilip Gena Sadarangani holds a Bachelor of Science (Hons.) degree from the University of Bombay. He also holds a Post Graduate Diploma in Computer Management from the Jamnalal Bajaj Institute of Management, University of Bombay. He has developed business-technology strategies for ANZ Grindlays Bank, Standard Chartered Bank, India, Gulf Bank, Kuwait and Man Power, Asia Pacific. He was a key member of the Global Leadership team in ANZ Bank (Australia), Standard Chartered Bank (India & Global), and Gulf Bank (Kuwait) and Manpower Inc. (Asia- Pacific & Global) and earlier in the State Bank of India.

Mr. Mahadev Nagendra Rao was inducted as an additional Director on 19th May 2014. Mr. Rao has wide experience in Banking, Investment Banking, Mutual Funds, Life and General Insurance, Credit Cards, Factoring, etc. Mr. Rao holds a Master of Science degree. He has been the M.D. of SBI Life Insurance Company Ltd. for a period of three years from July 2009 to Aug 2012. He has also handled Board level positions in other subsidiaries of the State Bank



of India. Mr. Shyam Srinivasan, a Director, is due to retire by rotation at the forthcoming Annual General Meeting. As per the Articles of Association of the Company and the Provision of the Companies Act, 2013, Mr. Shyam Srinivasan being eligible, offers himself for re-appointment.

Mr. Suresh Kumar (as Chairman) and Dr. M Y Khan are other directors.

#### **MANAGERIAL PERSON**

The term of Mr. Pradosh Kumar Mohapatra expired on 30th Sep 2013 as a Manager. He ceased to be the Manager of the Company with effect from 1st Oct 2013.

The Board places on record the good contribution made by Mr. Pradosh Kumar Mohapatra during his tenure as Manager.

Pending a strategic review and re-orientation of the Company's businesses and operating model, Mr. Ashok Das was appointed as the Manager of the Company, under the provisions of Companies Act, in place of Mr. Mohapatra, with effect from 1st October 2013, for the period of one year; subject to confirmation by the shareholders in the general meeting.

Mr. Ashok Das has undertaken a range of leadership roles in his banking career, spanning over 30 years across global markets - covering the areas of corporate banking, international banking, financial institutions, global trade advisory and commodities trade.

He has previously worked with the State Bank of India, American Express Bank, ABN AMRO Bank and the Dubai Multi-Commodities Centre (DMCC).

He holds a Masters' degree in Political Science. He is also a certified (by Amex) corporate finance and risk management professional and a value-at-risk manager (by ABN AMRO Academy); he has also received his investment banking certification (from the Amsterdam Institute of Finance).

#### **AUDIT COMMITTEE**

The Audit Committee was reconstituted during the year and thereafter. The Committee comprises Dr. M Y Khan (as Chairman), Mr. Dilip Sadarangani and Mr. Shyam Srinivasan. The committee has met five times during the year.

#### **RISK MANAGEMENT COMMITTEE**

The Risk Management Committee consists of Prof. Abraham Koshy (as Chairman), Mr. Dilip Sadarangani and Mr. Mahadev Nagendra Rao as its members.

#### **NOMINATION & REMUNERATION COMMITTEE**

This Committee consists of Prof. Abraham Koshy (as Chairman), Mr. Suresh Kumar, and Dr. MY Khan as its members.

#### **CREDIT COMMITTEE**

The Credit Committee consists of Mr. Suresh Kumar (as Chairman), Mr. Mahadev Nagendra Rao, and Mr. Shyam Srinivasan as its members.

#### **CORPORATE SOCIAL RESPONSIBILITY COMMITTEE**

The Committee was constituted in June 2014 and has Mr. Dilip Sadarangani (as Chairman) and Mr. Shyam Srinivasan as its members. One more member will be inducted shortly.

#### **AUDITORS**

M/s Varma and Varma, Chartered Accountants, Mumbai, Auditors of the Company retire at the ensuing Annual General Meeting. They have confirmed their eligibility and willingness to accept re-appointment as Auditors.

The Audit Committee and the Board of Directors therefore recommend M/s. Varma and Varma, Chartered Accountants as statutory auditors of the company for FY 2014-15 for the approval of shareholders.

#### **INFORMATION PURSUANT TO SECTION 217 OF THE COMPANIES ACT, 1956**

A. Conservation of Energy, Technology Absorption and Foreign Exchange Earnings & Outgo: Since the Company does not own any manufacturing facility, the particulars relating to conservation of energy and technology absorption stipulated in the Companies (Disclosures of particulars in the Report of the Board of Directors) Rules, 1988 are not applicable.

There are no foreign exchange earnings or outgo during the year under review.

B. Particulars of Employees: The Company does not have any employee of the category specified in Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Amendment Rules, 2011.



C. Directors' Responsibility Statement: As required by Section 217(2AA) of the Companies Act, 1956, your Directors hereby confirm that:

- a. In the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departure;
- b. The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit and loss of the company for that period;
- c. The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- d. The Directors have prepared the annual accounts on a going-concern basis.

#### **ACKNOWLEDGEMENT**

Your Directors wish to express their sincere appreciation for the co-operation, assistance and guidance received from the Reserve Bank of India, other government and regulatory agencies and rating agencies. The Board acknowledges the faith reposed in the Company by the Company's lending institutions. Your Directors look forward to their continued support in future.

Your Directors appreciate the commitment and dedication displayed by its managers and employees.

For and on behalf of the Board of Directors

Date: 23.06.2014

Place: Mumbai

Suresh Kumar

Chairman



## INDEPENDENT AUDITORS' REPORT

To,  
The Members,  
Fedbank Financial Services Limited

### Report on the Financial Statements

We have audited the accompanying financial statements of **M/s Fedbank Financial Services Limited** ("the Company") which comprise the Balance Sheet as at 31st March 2014, profit and Loss Statement and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

The management of the company is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the company in accordance with the Companies Act, 1956 ("the Act") and the Accounting Standards referred to in sub section (3C) of Section 211 of "the Act" read with the general circular 15/2013 dated 13.09.2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control 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

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. 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 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 control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the management, 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.

### Opinion

In our opinion and to the best of our information and according to the explanations given to us, the 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:

- a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2014; and
- b) in the case of the Profit and Loss Statement, of the loss for the year ended on that date;
- c) in the case of the Cash Flow Statement for the year ended on that date;

### Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters



- specified in Paragraphs 4 and 5 of the said Order.
2. As required under provisions of section 227(3) of the Companies Act, 1956, 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;
  - b. in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - c. the Balance Sheet and Profit and Loss Statement dealt with by this Report are in agreement with the books of account;
  - d. In our opinion, the Balance Sheet and Profit and Loss Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 read with the general circular 15/2013 dated 13.09.2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013;
  - e. On the basis of written representations received from the directors as on 31st March, 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act.

For VARMA & VARMA  
Chartered Accountants  
FRN 004532S

R.Kesavadas  
Partner  
M.No.23862

Place: Mumbai  
Date: 28.04.2014



## ANNEXURE TO THE AUDITORS' REPORT

Annexure referred to in paragraph 1 of our report of even date on the Financial Statement of Fedbank Financial Services Limited for the year ended 31st March, 2014

1.
  - (a) The company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets.
  - (b) We are informed that the fixed assets of the Company have been physically verified by the management during the year, which in our opinion, is reasonable having regard to the size of the Company and the nature of its assets and that no material discrepancies were noticed on such verification
  - (c) The company has not disposed off substantial part of fixed assets during the year.
2. The company does not have any inventory and hence the reporting requirements contained in clause number 4(ii) of the Order regarding inventory are not applicable to the company.
3. As informed, the company has not granted nor taken any loans, secured or unsecured to/from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
4. In our opinion, and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of fixed assets and for the sale of services. In our opinion and according to the information and explanations given to us, there is no continuing failure to correct major weakness in internal controls.
5. According to the information and explanations given to us, company has not entered into any transactions which are required to be entered in a register maintained pursuant to Section 301 of the Companies Act, 1956.
6. The Company has not accepted any deposits covered by the provisions of section 58A and 58AA of the Companies Act, 1956 and the rules framed there under. Hence, the compliance of provisions of sections 58A, 58AA or any other relevant provisions of the Companies Act, 1956 and the rules framed there under are not applicable to the company.
7. In our opinion, the company has an internal audit system commensurate with the size of the company and nature of its business.
8. As per the information and explanations given to us, the Central Government has not prescribed the maintenance of cost records under section 209(1) (d) of the Companies Act, 1956.
9.
  - (a) According to the information and explanations given to us and as per our verification of the records of the company, the company has been fairly regular in depositing undisputed statutory dues including Provident fund, Employee's State Insurance, Income Tax, Sales Tax, Service Tax and other statutory dues with the appropriate authorities during the year to the extent applicable. There are no arrears of undisputed statutory dues of a material nature outstanding for a period of more than six months from the date on which they became payable.
  - (b) According to the information and explanations given to us, there are no unpaid disputed taxes as at 31st March 2014 except for the following:

Name of the Statute	Nature of Dues	Amount (₹)	Period to which the total amount relates	Forum where dispute is pending
Income Tax Act, 1961	Income Tax	32,18,290	AY 2011-12	Commissioner of Income Tax (Appeals)
		58,53,160	AY 2012-13	Assessing Officer
	<b>Total</b>	<b>90,71,450</b>		



10. According to the information and explanations given to us and as per our verification of the records of the company, the company has not defaulted in repayment of its dues to bank during the year.
11. The company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities, hence the related reporting requirements under clause 4(xii) of the order are not applicable.
12. The company is not a chit fund/ nidhi/ mutual benefit fund/ society, hence the related reporting requirements under clause 4(xiii) of the order are not applicable.
13. The company is not dealing or trading in shares, securities, debentures or other investments, hence the relative reporting requirements under clause 4(xiv) of the order are not applicable.
14. According to the information and explanations given to us and as per the verification of the records of the company, there are no guarantees given by the company for loans taken by others from banks or financial institutions.
15. According to the information and explanations given to us and as per the records of the company, no term loans were availed by the company.
16. According to the information and explanations given to us and as per our verification of the records of the company on an overall basis, no funds were raised by the company on short-term basis which have been used for long term investment as at 31st March, 2014.
17. The company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4(xviii) of the Order are not applicable to the Company.
18. The company has not issued any debentures during the year.
19. The Company has not raised any money by public issue during the year.
20. According to the information and explanations given to us and the records of the company examined by us, during the year the company has reported to the Reserve Bank of India, instances of fraud noticed on the company by employees and others where gold loan related misappropriations/cash embezzlements have occurred at these branches aggregating to an amount of ₹78.4 lakhs, in respect of which an amount aggregating to ₹39 lakhs (net of recovery) is outstanding as at 31st March'2014.

We are informed that legal action for recovery has been initiated in all cases and provisions has been made in the books of accounts towards the amount involved.

For VARMA & VARMA  
Chartered Accountants  
FRN 004532S

**R KESAVADAS**

Partner

M. No.23862

Place: Mumbai  
Date: 28.04.2014



**FEDBANK FINANCIAL SERVICES LIMITED**  
**Balance Sheet as at March 31, 2014**

(Amounts in Thousands)

	Note No.	As at March 31, 2014 ₹	As at March 31, 2013 ₹
<b>I. EQUITY AND LIABILITIES</b>			
<b>1 Shareholder's Funds</b>			
(a) Share Capital	3	1,900,000	1,900,000
(b) Reserves and Surplus	4	(6,183)	22,940
<b>2 Non-Current Liabilities</b>			
Long-Term Provisions	5	3,782	2,525
<b>3 Current Liabilities</b>			
(a) Short-Term Borrowings	6	1,635,103	2,800,245
(b) Trade Payables	7	38,393	47,159
(c) Other Current Liabilities	8	207,743	44,566
(d) Short-Term Provisions	9	27,410	117,623
<b>TOTAL</b>		<b>3,806,248</b>	<b>4,935,058</b>
<b>II. ASSETS</b>			
<b>1 Non-Current Assets</b>			
<b>(a) Fixed Assets</b>			
(i) Tangible Assets	10	96,626	124,950
(ii) Intangible Assets	11	18,417	21,101
(iii) Intangible Assets Under Development		-	2,739
(b) Deferred Tax Assets (Net)	12	14,629	11,887
(c) Long-Term Loans and Advances	13	1,102,920	88,296
<b>2 Current Assets</b>			
(a) Trade Receivables	14	6,096	7,982
(b) Cash and Bank Balances	15	70,422	106,351
(c) Short-Term Loans and Advances	16	2,495,415	4,567,869
(d) Other Current assets	17	1,723	3,883
<b>TOTAL</b>		<b>3,806,248</b>	<b>4,935,058</b>
<b>Corporate Information &amp; Significant Accounting Policies</b>	1-2		
<b>Other Notes to Accounts</b>	24-31		

Dilip Maloo  
**Head - Finance & Company Secretary**

Ashok Das  
**President**

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

As per our report of even date attached  
**For Varma & Varma**  
Chartered Accountants  
FRN 004532S

Suresh Kumar  
**Chairman**

Dilip Sadarangani  
**Director**

Shyam Srinivasan  
**Director**

**R Kesavadas**  
Partner  
M.No 23862

Place: Mumbai  
Date : 28.04.2014



**FEDBANK FINANCIAL SERVICES LIMITED**  
**Profit and Loss Statement for the year ended March 31, 2014**

(Amounts in Thousands)

	Note No.	Year Ended March 31, 2014	Year Ended March 31, 2013
		₹	₹
<b>Revenue:</b>			
I. Revenue from Operations	18	686,092	881,448
II. Other Income	19	4,182	3,353
<b>III. Total Revenue (I+II)</b>		<b>690,274</b>	<b>884,801</b>
<b>IV. Expenses:</b>			
Employee Benefit Expenses	20	238,866	212,379
Finance Costs	21	157,385	217,877
Depreciation/Amortization Expense		41,280	37,608
Other Expenses	22	284,608	234,859
<b>Total Expenses</b>		<b>722,139</b>	<b>702,723</b>
<b>V. Profit / (Loss) before Tax</b>		<b>(31,865)</b>	<b>182,078</b>
<b>VI. Tax Expense:</b>			
Current tax		-	52,784
Deferred Tax (Gain) [Refer Note 12]		(2,742)	(11,887)
<b>VII. Profit/(Loss) for the Year</b>		<b>(29,123)</b>	<b>141,180</b>
<b>VIII. Earnings Per Equity Share</b>	23		
Basic and Diluted (Face value of Rs 10 per share)		(0.15)	0.74
<b>Corporate Information &amp; Significant Accounting Policies</b>	1-2		
<b>Other Notes to Accounts</b>	24-31		

Dilip Maloo  
**Head - Finance & Company Secretary**

Ashok Das  
**President**

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

As per our report of even date attached  
**For Varma & Varma**  
Chartered Accountants  
FRN 004532S

Suresh Kumar  
**Chairman**

Dilip Sadarangani  
**Director**

Shyam Srinivasan  
**Director**

**R Kesavadas**  
Partner  
M.No 23862

Place: Mumbai

Date : 28.04.2014



**FEDBANK FINANCIAL SERVICES LIMITED**  
**Cash flow Statement for the year ended March 31, 2014**

(Amounts in Thousands)

	For the Year ended 31.03.2014	For the Year Ended 31.03.2013
<b>A. Cash Flow from Operating Activities</b>	₹	₹
<b>Net Profit / (Loss) before tax as per P&amp;L Statement</b>	<b>(31,865)</b>	<b>182,078</b>
<b>Adjustments for</b>		
Finance Cost	154,223	213,494
Interest on fixed deposits with Federal Bank	(1,999)	(2,314)
Provision for Standard Assets	(2,191)	3,001
Provision for Loss Assets	(3,292)	6,059
Provision for Sub Standard Asset	125	(1,842)
Provision for Doubtful Debts	43	-
Provision for Bad Debts	-	(557)
Depreciation	41,280	37,608
Provision for Impairment of Fixed Assets	6,809	-
Operating Profit before Working Capital changes	<u>163,135</u>	<u>437,527</u>
<b>Adjustments for Working Capital Changes</b>		
Trade Receivables	1,886	2,752
Short-term Loans and Advances	2,065,228	(1,287,054)
Other Current Assets	2,151	4,045
Long term Loans & Advances	(1,014,683)	(41,419)
(Increase)/ Decrease in Receivables	<u>1,054,581</u>	<u>(1,321,675)</u>
Long-term Provisions	1,257	1,309
Trade Payables	(8,766)	24,647
Other Current Liabilities	165,935	(3,192)
Short-term Provisions	(84,899)	1,697
Increase/(Decrease) in Trade/Other payables	<u>73,527</u>	<u>24,461</u>
<b>Cash generated from Operations</b>	<u>1,291,243</u>	<u>(859,687)</u>
Taxes (paid) / refunded	7,226	(58,186)
<b>Cash Flow before extraordinary items</b>	<u>1,298,469</u>	<u>(917,873)</u>
<b>Net Cash inflow / (outflow) from Operating Activities</b>	<b><u>1,298,470</u></b>	<b><u>(917,873)</u></b>
<b>B. Cash Flow from Investment Activities</b>		
Purchase of fixed assets	(17,041)	(54,946)
Investment in Fixed Deposits	(576)	(573)
Interest on fixed deposits	2,009	2,335
<b>Net Cash inflow / (outflow) from Investment Activities</b>	<b><u>(15,608)</u></b>	<b><u>(53,184)</u></b>
<b>C. Cash Flow from Financing Activities</b>		
Interest Expenses	(154,223)	(213,494)
Cash Credit	(1,165,142)	1,208,198
<b>Net Cash inflow / (outflow) from Financing activities</b>	<b><u>(1,319,366)</u></b>	<b><u>994,704</u></b>

(Continued...)



**FEDBANK FINANCIAL SERVICES LIMITED**  
**Cash flow Statement for the year ended March 31, 2014 (Contd...)**

(Amounts in Thousands)

	For the Year ended 31.03.2014	For the Year Ended 31.03.2013
	₹	₹
<b>D. Net increase / (decrease) in cash and cash Equivalents (A+B+C)</b>	<b>(36,504)</b>	<b>23,647</b>
Opening Balance of Cash and Cash Equivalents	84,498	60,851
<b>Closing Balance of Cash and Cash Equivalents</b>	<b>47,994</b>	<b>84,498</b>

Cash Flow Statement has been prepared in accordance with the Accounting Standard- 3 as per the Companies (Accounting Standards) Rules, 2006.

Dilip Maloo  
**Head - Finance & Company Secretary**

Ashok Das  
**President**

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

As per our report of even date attached  
**For Varma & Varma**  
 Chartered Accountants  
 FRN 004532S

Suresh Kumar  
**Chairman**

Dilip Sadarangani  
**Director**

Shyam Srinivasan  
**Director**

**R Kesavadas**  
 Partner  
 M.No 23862

Place: Mumbai

Date : 28.04.2014



**FEDBANK FINANCIAL SERVICES LIMITED****SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS****1. CORPORATE INFORMATION**

The Company was incorporated on 17th April 1995 and is a subsidiary of The Federal Bank Ltd. The Company was registered as a Nonbanking Financial Company(NBFC) on 24th August 2010. The company is into the business of lending mainly against Gold and Property and also distributes retail loan/insurance products for a fee. The company currently operates through 167 branches mainly spread across South India, Gujarat and Maharashtra.

**2. SIGNIFICANT ACCOUNTING POLICIES****2.1 Basis of preparation of accounts**

Financial Statements are prepared under the historical cost convention, in compliance with the provisions of the Companies Act 1956, the Accounting Standards as specified in the Companies (Accounting Standards) Rules 2006 and the guidelines issued by the Reserve Bank of India as applicable to a non deposit taking NBFC. Accounting Policies not stated explicitly otherwise are consistent with generally accepted accounting principles.

**2.2 Use of Estimates**

The preparation of financial statements in conformity with the generally accepted accounting principles requires management to make estimates and assumptions that effect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and revenue and expenses. 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.

**2.3 Revenue Recognition**

"Revenue is recognized as and when it is earned and no significant uncertainty exists as to its realization or collection. Interest Income is recognized on accrual basis, except in case of interest on non-performing assets which are recognized on receipt basis in accordance with Non Banking Financial (Non Deposit Accepting or Holding) Companies Prudential Norms ( Reserve Bank) Direction,2007 and AS - 9 revenue recognition as notified under the companies (Accounting Standards) Rules,2006 and the RBI Guidelines. Overdue charges are recognized when the company is certain of its realization."

**2.4 Tangible Assets and Depreciation**

(a) Tangible Fixed Assets: "Fixed Assets are carried at their cost of acquisition less accumulated depreciation and impairment losses, if any. Cost Includes Freight, duties, taxes and incidental expenses and installation of the assets. Computers are depreciated using SLM @ 33.33% as against 16.21% as prescribed under Schedule XIV of the Companies Act, 1956. Leasehold improvements are depreciated @ 18.10% using WDV method. Depreciation on other assets is provided, pro-rata for the period of use, using WDV method at the rates and in the manner prescribed in the said schedule."

**(b) Intangible Assets:**

Intangible assets include computer software which are acquired, capitalized and amortized on an SLM basis over the estimated useful lives of 3 years on a pro rata basis.

**2.5 Employee Benefits**

**Short Term Employee Benefits:-** (a) All employee benefits payable wholly within twelve months of rendering the service are classified as short term employee benefits and the undiscounted amount are recognized as an expenses in the profit & loss Statement of the year in which the related service is rendered.

**Defined Contribution Plan :**

(b) 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 & loss Statement for the Year.

**Defined Benefit Plan:**

(c) 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 & loss Statement for the period in which they occur.

(Continued...)



**FEDBANK FINANCIAL SERVICES LIMITED**  
**SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS**

(d) 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 Statement for the period in which they occur.

**2.6 Taxes on Income**

(i) Income tax is accounted in accordance with Accounting Standard on Accounting for Taxes on Income (AS-22), which includes current taxes and deferred taxes. Provision for current tax is made based on the tax payable under the Income Tax Act, 1961.

(ii) Deferred tax on account of timing difference between taxable and accounting income that originates in one period and are capable of reversal in one or more subsequent period, are accounted using the tax rates and the tax laws enacted or substantively enacted by the balance sheet date. Deferred tax assets in respect of unabsorbed depreciation or carried forward losses are recognised if there is virtual certainty of realisation of such assets. Other deferred tax assets are recognised to the extent there is reasonable certainty of their realisation.

**2.7 Borrowing cost**

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial period of time to get ready for its intended use are capitalized. Other borrowing costs are recognized as expenditure for the period in which they are incurred.

**2.8 Impairment of assets.**

The company assesses at each Balance Sheet date whether there is any indication that an asset may be impaired. As asset is identified as impaired, when the carrying value of the asset exceeds its recoverable value. Based on such assessment, impairment loss, if any, is charged to the Profit & Loss Statement in the period in which, an asset is identified as impaired. The impairment loss recognised in the prior accounting periods is reversed if there has been a change in the estimate of recoverable amount.

**2.9 Provisions, Contingent Liabilities and Contingent Assets:**

Provisions are recognised when the company has a present obligation as a result of a past event, for which it is probable that a cash outflow will be required and a reliable estimate can be made of the amount of the obligation. Provisions are not discounted to its present value and are determined based on management estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the correct management estimates. Contingent Liabilities are disclosed when the company has a possible obligation or a present obligation and it is probable that a cash flow will not be required to settle the obligation.

Contingent assets are neither recognised nor disclosed in the accounts.

**2.10 Advances:**

Advances are classified as Performing Assets and Non-performing Assets and Provisions required are made as per the guidelines of the Reserve Bank of India on matters relating to Prudential Norms as applicable to Non-banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms ( Reserve Bank), Directions, 2007.

**2.11 Segment Reporting:**

The company has classified its operations into three segments – Distribution (Marketing of Financial Products), Retail Finance and Whole sale Finance. For presentation of segment information, directly attributable income and assets are allocated as such and the other income, expenses and other assets and liabilities are apportioned on appropriate basis.

**2.12 Earnings Per Share**

"The company reports basic and diluted earnings per share in accordance with Accounting Standard 20 on "Earnings per Share". Basic earnings per share are computed by dividing the net profit or loss for the year attributable to equity share holders (after deducting attributable taxes) by the weighted average number of Equity Shares outstanding during the period. Diluted earnings per share are computed by dividing the net profit or loss for the year attributable to equity share holders (after deducting attributable taxes) by the weighted average number of Equity Shares outstanding during the period as adjusted for the effects of all diluted potential Equity Shares outstanding as at the year end."



**FEDBANK FINANCIAL SERVICES LIMITED**

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

**3 Share Capital**

(Amounts in Thousands)

Particulars	As at March 31, 2014	As at March 31, 2013
<b>Authorised:</b> 19,00,00,000 (Previous Year 19,00,00,000) Equity Shares of Rs. 10 each	1,900,000	1,900,000
<b>Issued, subscribed and paid up:</b> 19,00,00,000 (Previous Year 19,00,00,000) Equity Shares of Rs. 10 each Fully Paid Up	1,900,000	1,900,000
	1,900,000	1,900,000

**(a) Reconciliation of the number of Equity shares outstanding at the beginning and at the end of the year**

Particulars	As at March 31, 2014		As at March 31, 2013	
	Number of Shares	Rupees	Number of Shares	Rupees
Balance as at the beginning of the year	190,000,000	1,900,000,000	190,000,000	1,900,000,000
Changes during the year	-	-	-	-
Balance as at the end of the year	190,000,000	1,900,000,000	190,000,000	1,900,000,000

**(b) Rights, preferences and restrictions attached to shares**

"The Company has only one class of Equity shares having face value of Rs 10 each/- per share. Each holder of Equity shares is entitled to one vote per share. All of the above shares are held by the Holding Company, The Federal Bank Ltd and its nominees. In the event of liquidation of the company, the holders of Equity shares will be entitled to receive the remaining assets of the company, after distribution of all preferential amounts. The distribution will be in proportion to the number of Equity shares held by the shareholders."



## FEDBANK FINANCIAL SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014 (Contd...)

## (c) Details of equity shares held by shareholders holding more than 5% shares of the aggregate shares in the Company

Particulars	As at March 31, 2014	As at March 31, 2013
<b>Equity Shares</b>		
Equity Shares Held by holding company - Federal Bank Limited (Including 405 shares held by nominees)	190,000	190,000
Percentage of holding	100%	100%

## 4 Reserves and Surplus

(Amounts in Thousands)

Particulars	As at March 31, 2014	As at March 31, 2013
(a) Reserves		
(i) Statutory Reserve		
Balance at the beginning of the year	36,648	8,412
Add: Transferred from Profit & Loss Statement ( Ref Note 4.1)	-	28,236
	<b>36,648</b>	<b>36,648</b>
ii) General Reserve		
Balance at the beginning of the year	1,470	1,470
	1,470	1,470
iii) Surplus / (Deficit) in the Profit and Loss Statement		
Balance as at the beginning of the year	(15,178)	(45,535)
Net Profit for the current year	(29,123)	141,180
Less : Appropriations Transfer to Statutory Reserve (Note 4.1)	-	(28,236)
Proposed Final Equity Dividend Amount Per Share Rs. Nil ( Previous Year Rs.0.37)	-	(70,590)
Tax on Proposed Equity Dividend	-	(11,997)
	<b>(44,301)</b>	<b>(15,178)</b>
Total of Reserves & Surplus	<b>(6,183)</b>	<b>22,940</b>

4.1. Statutory Reserve represents the Reserve fund created under Section 45-IC of the Reserve Bank of India Act, 1934. During the current financial year, net profit being Rs.Nil (previous year Rs.28,236 thousands) ,no transfer has been done to the said fund for the year.



## FEDBANK FINANCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014 (Contd...)

**5 Long Term Provisions**

(Amounts in Thousands)

Particulars	As at March 31, 2014	As at March 31, 2013
<b>Provision for employee benefits (Refer Note 20.1)</b>		
Provision for Compensated Absences	2,693	1,810
Provision for Gratuity	1,089	715
	<b>3,782</b>	<b>2,525</b>

**6 Short Term Borrowings**

(Amounts in Thousands)

Particulars	As at March 31, 2014	As at March 31, 2013
<b>Loans Repayable on demand from Banks :</b>		
Cash Credit From IDBI Bank ( Note No 6.1)	492,323	320,030
Cash Credit From Karur Vysya Bank.( Note No 6.1)	53,455	200,514
Short term loan from HDFC Bank ( Note No 6.2)	250,000	-
<b>Loans and advances from related parties :</b>		
Cash Credit From Federal Bank Ltd.( Note No 6.1 & 6.2)	839,325	2,279,701
	<b>1,635,103</b>	<b>2,800,245</b>

6.1. The above facilities are secured by way of Pari passu charge on Gold Loan Receivables.

6.2. Short Term Loan has been availed from HDFC bank for a period of 180 Days by way of Ear-marking of working capital Limits.



## FEDBANK FINANCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014 (Contd...)

**7 Trade Payables**

(Amounts in Thousands)

Particulars	As at March 31, 2014	As at March 31, 2013
Trade Payables—( Refer Note 7.1)	38,393	47,159
	<b>38,393</b>	<b>47,159</b>

7.1. The company has taken steps to identify the suppliers who qualify under the definition of micro and small enterprises as defined under the Micro, Small and Medium Enterprises Development Act, 2006.

**8 Other Current liabilities**

(Amounts in Thousands)

	As at March 31, 2014	As at March 31, 2013
Liability Towards Capital Contracts/goods	1,332	4,090
Security Deposit – Rental (Refer Note 8.1)	1,600	1,609
Book Overdraft	189,012	5,661
<b>Other Payables:</b>		
Withholding Tax and Other Statutory Dues	3,952	4,707
Employee Related Payables	3,361	17,765
Advances From Customers	8,355	10,287
Others	130	447
	<b>207,743</b>	<b>44,566</b>

8.1 Security Deposits include Rs.1,600 thousands (previous year Rs.1610 thousands) received from The Federal Bank Ltd (Holding company).



## FEDBANK FINANCIAL SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014 (Contd...)

## 9 Short Term Provisions

(Amounts in Thousands)

Particulars	As at March 31, 2014	As at March 31, 2013
<b>Provision for Employee benefits: (Refer Note No 20.1)</b>		
Provision for Compensated Absences	120	2,776
Provision for Gratuity	400	58
<b>Other Provisions ( Refer Note 9.1)</b>		
Provision Against Non Performing Assets (Refer Note 9.2)	18,395	21,517
Contingent Provision Against Standard Assets (Refer Note 9.3)	8,495	10,685
Proposed Equity Dividend	-	70,590
Provision for Tax on proposed Equity Dividend	-	11,997
	<b>27,410</b>	<b>117,623</b>

## 9.1. Movement of Provision for Standard and Non-Performing Assets

As per the non Banking Financial (Non Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007, Company has created provision for Standard assets as well as Non Performing Assets.

Particulars	As at 31.3.2014	As at 31.3.2013
<b>Provision for Standard Assets</b>		
Standard Assets	3,397,603	4,273,857
Provision at the beginning of the year	10,684	7,683
Additional provision/ (Excess Reversal) Net during the year	(2,189)	3,001
<b>Provision at the close of the year</b>	<b>8,495</b>	<b>10,684</b>
<b>Provision for Non-Performing Assets</b>		
Secured and Considered Doubtful	6,741	32,497
Un Secured and Considered Doubtful	8,843	11,662
Total Non Performing Assets	15,584	44,159
Provision at the beginning of the year	21,517	17,300
Additional provision/ (Excess Reversal) Net during the year	(3,122)	4,217
<b>Provision at the close of the year</b>	<b>18,395</b>	<b>21,517</b>

9.2. Provision against non Performing Assets have been classified in accordance with RBI Guidelines, and has been made to the extent specified in such guidelines and has not been netted of against the value of assets disclosed under short term loans and advances (Note No 16).

9.3. Contingent Provision of Rs.Nil (Rs 3,001 thousands) on a net basis has been made during the current year against standard assets as per clause 9A of Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007.



## FEDBANK FINANCIAL SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014 (Contd...)

## 10 Tangible Assets (Amounts in Thousands)

	Computer Equipments	Office Equipments	Lease Hold improvements ( Interior Furnishings)	Furniture & Fixtures	Vehicles - Cars
Gross Block as at April 1, 2013	25,345 (14,831)	28,795 (19,280)	87,426 (74,627)	34,337 (22,858)	998 (1,714)
Additions	1,920 (10,514)	1,876 (9,629)	1,902 (16,882)	3,593 (11,479)	- (998)
(Deletions)Adjustments	-	136 (115)	1,909 (4,084)	1,301 -	- (1,714)
<b>Gross Block as at March 31, 2014</b>	<b>27,265</b> <b>(25,345)</b>	<b>30,535</b> <b>(28,795)</b>	<b>87,418</b> <b>(87,425)</b>	<b>36,629</b> <b>(34,337)</b>	<b>998</b> <b>(998)</b>
Impairment as at April 1, 2013	-	-	-	-	-
Additions ( Note 10.1)	-	-	5,870	939	-
(Deletions)Adjustments	-	-	-	-	-
<b>Impairment as at March 31, 2014</b>	<b>-</b>	<b>-</b>	<b>5,870</b>	<b>939</b>	<b>-</b>
Accumulated depreciation as at April 1, 2013	10,641 (5,187)	6,004 (3,051)	24,616 (10,887)	10,519 (5,991)	170 (1,293)
For the year	8,389 (5,454)	3,654 (3,002)	11,560 (14,316)	4,945 (4,528)	215 (210)
(Disposal)Adjustments	-	68 (49)	768 (587)	468 -	- (1,333)
<b>Accumulated depreciation as at March 31, 2014</b>	<b>19,030</b> <b>(10,641)</b>	<b>9,590</b> <b>(6,004)</b>	<b>35,408</b> <b>(24,616)</b>	<b>14,996</b> <b>(10,519)</b>	<b>385</b> <b>(170)</b>
Total Accumulated Depreciation and Impairment as at March 31, 2014	19,030 (10,641)	9,590 (6,004)	41,278 (24,616)	15,935 (10,519)	385 (170)
<b>Net block as at March 31, 2014</b>	<b>8,235</b>	<b>20,944</b>	<b>46,140</b>	<b>20,694</b>	<b>613</b>
<b>Net Block as at March 31, 2013</b>	<b>(14,704)</b>	<b>(22,790)</b>	<b>(62,809)</b>	<b>(23,818)</b>	<b>(828)</b>

## 11 Intangible Assets

Particulars	Computer Software
Gross Block as at April 1, 2013	28,514 (2,863)
Additions	9,100 (25,651)
(Deletions)Adjustments	- -
<b>Gross Block as at March 31, 2014</b>	<b>37,614</b> <b>(28,514)</b>
Accumulated depreciation as at April 1, 2013	7,413 (812)
For the year	11,784 (6,601)
(Deletions)Adjustments	- -
Accumulated depreciation as at March 31, 2014	19,197 (7,413)
<b>Net block as at March 31, 2014</b>	<b>18,417</b>
<b>Net Block as at March 31, 2013</b>	<b>(21,100)</b>

## Note :

10.1 In respect of 34 branches, the management has decided to close operations and merge the remaining business with the nearest branches. Accordingly the management expects the remaining useful life of certain fixed assets located at such branches to be lower than what was originally estimated, hence an impairment loss has been recognized to that extent.



## FEDBANK FINANCIAL SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014 (Contd...)

## 12. Deferred Tax Asset

(Amounts in Thousands)

Particulars	As at March 31, 2014	As at March 31, 2013
<b>Deferred tax assets (Net) - Note 12.1</b>		
<b>Timing difference on account of :</b>		
Depreciation and Amortisation	6,614	2,516
<b>Disallowances under IT</b>		
Leave Encashment	913	1,488
Gratuity	483	251
Provision for Bad Debts	650	650
Provision for Sub Standard Assets	5,969	6,982
<b>Net Deferred Tax Asset</b>	<b>14,629</b>	<b>11,887</b>

12.1 Due to various external factors affecting the gold loan business, the profits of the Company had eroded resulting in a net loss for the year. The Company has already made efforts for restructuring its Gold loan business and with the Reserve Bank of India increasing the Loan to Value ratio for gold loans to 75% and the Company having diversified into other lending products which is expected to grow substantially during the next fiscal year, the Company expects to make profits in the next fiscal year and pay income taxes. Thus the management is of the opinion that the reasonable certainty test has been met and hence deferred tax asset other than on unabsorbed depreciation has been recognized and carried forward.

## 13 Long Term Loans and Advances

(Amounts in Thousands)

Particulars	As at March 31, 2014	As at March 31, 2013
<b>Secured &amp; Considered Good:</b>		
Loan Against Property	1,064,227	43,399
<b>Unsecured considered good</b>		
Capital Advances	-	59
Security Deposits - Rental & Others	34,781	42,193
Pre Paid Expenses	1,359	590
Withholding and Other Taxes Receivables	2,554	2,055
	<b>1,102,920</b>	<b>88,296</b>

## 14 Trade Receivables (Unsecured)

(Amounts in Thousands)

Particulars	As at March 31, 2014	As at March 31, 2013
<b>14.1 Outstanding for a period more than six months</b>		
Considered good ( Refer Note 14.3)	10	257
<b>14.2 Other Trade Receivables</b>		
Considered good ( Refer Note 14.3)	6,086	7,725
	<b>6,096</b>	<b>7,982</b>

14.3 Trade receivables include amount due from The Federal Bank Ltd (Holding Company) ₹ 6,068 thousands (Previous year - Rs.7,540 thousands)



## FEDBANK FINANCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014 (Contd...)

## 15 Cash and Bank Balances

(Amounts in Thousands)

Particulars	As at March 31, 2014	As at March 31, 2013
<b>Cash &amp; Cash Equivalents:</b>		
- Cash in hand	40,783	63,645
- Current accounts	7,212	20,854
<b>Balance with Banks</b>		
- Deposit Accounts ( Refer Note 15.1)	22,428	21,852
	<b>70,422</b>	<b>106,351</b>

15.1. Balance in Fixed Deposit Accounts have maturity period of less than or up to twelve months.

## 16 Short Term Loans and Advances

(Amounts in Thousands)

Particulars	As at March 31, 2014	As at March 31, 2013
<b>Secured</b>		
<b>(a) Considered Good</b>		
Loans against Gold (Note 16.1)	2,083,377	4,230,457
Loans against Property	250,000	-
Interest Receivable	103,207	268,904
	<b>2,436,583</b>	<b>4,499,361</b>
<b>(b) Considered Doubtful</b>		
Loans against Gold (Refer Notes 9.1, 9.2 & 16.1)	6,741	32,497
	<b>6,741</b>	<b>32,497</b>
<b>Unsecured, considered good</b>		
<b>(a) Considered Good</b>		
Advance to Employees	2,251	1,261
Prepaid Expenses	3,746	3,507
Withholding and Other Taxes Receivables (Net of Provision)	26,189	18,962
Advances for Supplies & Services	3,906	619
Security Deposits - Rental & Others	7,155	-
	<b>43,247</b>	<b>24,349</b>
<b>(b) Considered Doubtful</b>		
Loans against Gold (Refer Notes 9.1, 9.2 & 16.1)	8,843	11,662
	8,843	11,662
	<b>2,495,415</b>	<b>4,567,869</b>



**FEDBANK FINANCIAL SERVICES LIMITED**

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014 (Contd...)

16.1. Disclosure required as per Reserve Bank of India Notification No. DNBS.CC.PD.No. 265/03.10.01/2011-12 dated March 21,2012 (Amounts in Thousands)

Particulars	As on 31.03.2014	As on 31.03.2013
Loans granted against collateral of gold Jewellery	2,098,961	4,274,616
Total assets of the Company	3,806,248	4,930,007
Percentage of Loans granted against collateral of gold jewellery to Total Assets	55.15%	86.71%

**17 Other Current Assets**

(Amounts in Thousands)

Particulars	As at March 31, 2014	As at March 31, 2013
<b>Unsecured and considered good</b>		
Interest Receivable on Fixed Deposits	326	335
Service Tax Input Credit Receivable	879	1,998
Reimbursement receivable from the Holding company	518	1,039
Other Receivables (Refer Note 17.1)	2,004	2,004
Less:- Provision	(2,004)	(2,004)
Un - Billed Revenue	-	511
	<b>1,723</b>	<b>3,883</b>

17.1 Other Receivables represents amounts recoverable pursuant to fraud by an employee at one of the branches of the company during the prior financial years, which is being actively pursued for recovery. Full provision has been made in the accounts as a matter of abundant caution.



## FEDBANK FINANCIAL SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014 (Contd...)

## 18 Revenue from Operations (Amounts in Thousands)

Particulars	Year ended March 31, 2014	Year ended March 31, 2013
<b>(a) Retail Finance</b>		
Interest/Other Charges on Gold Loans	586,125	833,679
Interest/Other Charges on Loan Against Property	56,144	1,674
<b>(b) Whole sale Finance</b>		
Interest/Other Charges on Wholesale Lending	6,333	-
<b>(c) Other Financial Services</b>		
Commission Income	36,419	44,605
<b>(d) Fees for Provision of Facilities/ Services</b>	1,070	1,490
	<b>686,092</b>	<b>881,448</b>

## 19 Other Income

(Amounts in Thousands)

Particulars	Year ended March 31, 2014	Year ended March 31, 2013
Interest on fixed deposits	1,999	2,315
Interest on Income Tax Refunds	460	834
Profit on sale of Fixed assets	-	73
Profit on Sale Of Mutual Fund	418	56
Miscellaneous Income	1,305	76
	<b>4,182</b>	<b>3,353</b>

## 20 Employee Benefit Expenses

(Amounts in Thousands)

Particulars	Year ended March 31, 2014	Year ended March 31, 2013
Salaries and other allowances	218,526	193,826
Contribution to Provident and other Funds (Note 20.1)	14,064	13,151
Staff Welfare Expenses	6,277	5,402
	<b>238,866</b>	<b>212,378</b>

## 20.1. Disclosures of employee benefits as required by the accounting standard 15 (Revised) employee benefits are as under:

## a) Defined Contribution Plan

(Amounts in Thousands)

Particulars	Year ended March 31, 2014	Year ended March 31, 2013
Provident Fund	11,035	10,138
Employee State Insurance	3,029	3,012
<b>Total</b>	<b>14,064</b>	<b>13,150</b>



## FEDBANK FINANCIAL SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014

(Amounts in Thousands)

Particulars	Gratuity		Compensated Absences		
	Current year	Previous Year	Current year	Previous Year	
<b>i</b>	<b>Reconciliation of opening and closing balances of defined benefit Obligation :</b>				
1	Present value of Defined benefit obligations as at the beginning of the year	774	400	3,947	2,168
2	Current Service cost	1,033	594	3,152	3,357
3	Interest Cost	61	32	305	178
4	Actuarial (gains) / losses	(360)	(252)	(4,561)	(1,581)
5	Benefits paid	(19)	-	(229)	(176)
6	Short Term Compensated Absence Liability	-	-	199	640
7	Present value of Defined Benefit Obligation as at the end of the year	1,489	774	2812 *	(4,586)
<b>ii</b>	<b>Changes in the fair value of plan assets representing reconciliation of opening and closing balances thereof are as follows :</b>				
1	Fair value of Plan assets as at the beginning of the year	-	-	-	-
2	Expected return on plan assets	-	-	-	-
3	Actuarial gains/ (losses)	-	-	-	-
4	Actual contributions	19	-	229	176
5	Benefits paid	(19)	-	(229)	(176)
6	Fair value of Plan assets as at the end of the year.	-	-	-	-
7	Short Term Compensated Absence Liability	-	-	199	640
8	Funded Status	(1,489)	(774)	(2,812)	(4,586)
<b>iii</b>	<b>Reconciliation of Present Value of Defined Benefit Obligation and fair value of plan assets showing amount recognized in the Balance Sheet :</b>				
1	Present value of Defined Benefit Obligation	1,489	774	2,812	4,586
2	Fair value of plan assets	-	-	-	-
3	Funded status	1,489	(774)	(2,812)	(4,586)
4	Unrecognized Past Service Costs	-	-	-	-
5	<b>Net asset/(Liability) recognized in Balance Sheet</b>	1,489	(774)	(2,812)	(4,586)
<b>iv</b>	<b>Expenses recognized in the profit and loss statement for the year ended 31st March,2014</b>				
1	Current Service cost	1,033	594	3,152	3,357
2	Interest cost	61	32	305	178
3	Expected return on plan assets	-	-	-	-
4	Past Service cost	-	-	-	-
5	Actuarial Losses/(Gains)	(360)	(252)	(4,561)	(1,581)
6	Short Term Compensated Absence Liability	-	-	119	640
7	<b>Total expense recognized in the Profit &amp; Loss Statement</b>	<b>734</b>	<b>374</b>	<b>(985)</b>	<b>2,594</b>
<b>v</b>	<b>Principal Actuarial Assumptions :</b>	<b>Gratuity</b>		<b>Compensated Absences</b>	
1	Discount Rate (%)	8.80%	7.95%	8.80%	7.95%
2	Expected Return on plan assets (%)	-	-	-	-
3	Salary Escalation (%)	7.50%	10.00%	7.50%	10.00%
4	Mortality	IALM (2006-08) Ultimate			
<b>vi</b>	<b>Experience History</b>	<b>Gratuity</b>		<b>Compensated Absences</b>	
1	(Gain)/Loss due on obligation due to change in assumption	(536)	154	(307)	172
2	Experience (Gain)/Loss on Obligation	176	(406)	(4,255)	(1,753)
3	Actuarial Gain/(Loss) on plan assets	-	-	-	-

The Discount rate is based on the benchmark yields available on Indian Government bonds as at the Balance Sheet date with terms matching that of the liabilities and the salary increase rates takes into account the inflation, seniority, promotion and other relevant factors.

\* The reduction in the closing value of compensated absences is on account of amendment to the Plan, whereby the quantum of carry forward of leave has been reduced.



## FEDBANK FINANCIAL SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014 (Contd...)

## 21 Finance Costs

(Amounts in Thousands)

Particulars	Year ended March 31, 2014	Year ended March 31, 2013
Interest on Cash Credit Facility	55,512	52,433
Interest on Working Capital Demand Loan	3,389	-
Discount on Commercial Paper	95,322	160,703
Other Finance Costs	3,162	4,741
	<b>157,385</b>	<b>217,877</b>

## 22 Other Expenses

(Amounts in Thousands)

Particulars	Year ended March 31, 2014	Year ended March 31, 2013
Electricity Charges	6,054	4,691
Rent	60,153	69,962
Repairs & Maintenance:		
Buildings	1,492	641
Machinery	449	233
Others	12,163	6,898
Postage, Telephones & Telegram	23,891	9,601
Travelling & Conveyance Expenses	16,222	15,308
Insurance	4,696	5,546
Rates & Taxes	521	480
Legal & Professional Charges	13,968	8,408
Advertisement & Business Promotion	4,076	3,204
Commission Paid	17,786	9,276
Sourcing Expenses	7,411	370
Office Expenses	5,466	4,473
Printing & Stationery	4,384	6,990
Recruitment Charges	993	1,853
Provision/(Excess Reversal) for Loss Assets (Refer Note 9.2)	(3,292)	6,059
Provision for Sub Standard Assets ( Net of Recovery)	125	(1,842)
Provision for Doubtful Debts	43	-
Provision/(Excess Reversal) for Standard Assets (Refer Note 9.3)	(2,191)	3,001
Provision for Impairment of fixed Assets ( Refer Note 10.1)	6,809	-
Provision for Bad Debts (Net of Recovery)	-	(557)
Bad Debts Written Off ( Note 22.1)	48,181	26,026
Security Expenses	23,539	24,323
Valuation Charges	26,489	28,572
Loss on sale of Assets	880	18
Miscellaneous Expenses (Refer Note No 22.2)	4,298	1,323
	<b>284,608</b>	<b>234,859</b>

22.1 Due to the steep fall in gold prices during the first quarter of the year there were larger than expected under-recoveries arising out of auction, this has resulted in higher bad debts.

## 22.2 Miscellaneous Expenses Include Payment to Auditors (Net of Service Tax)

(Amounts in Thousands)

Particulars	Year ended March 31, 2014	Year ended March 31, 2013
As Auditor	500	500
For Other Matters	8	10
For Reimbursement of Expenses	234	129
	<b>742</b>	<b>640</b>



## FEDBANK FINANCIAL SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014 (Contd...)

**23. Contingent Liabilities** (Amounts in Thousands)

Particulars	As at 31.3.2014	As at 31.3.2013
Disputed Income Taxes*	9,071	-
<b>Total</b>	<b>9,071</b>	<b>-</b>

\* [1]. The Assessing Officer has disagreed with the treatment of certain expenses in connection with the return of income tax return filed by the company and accordingly raised a demand of ₹3,218/- thousand. This has been challenged by the company before the Commissioner of Income Tax (Appeals).

In another assessment year, refund which was sanctioned by the assessing officer has now been demanded back aggregating to ₹5,853/-thousand. The Company is in the process of replying to such intimation.

[2]. Certain customers of the company have filed suits in consumer/civil courts for auctioning of their gold ornaments or for obtaining of stay order against auction of their pledged gold. The management does not expect any material liability from such suits.

**24 Earnings per Share (Basic and Diluted)**

(Amounts in Thousands)

Particulars	As at March 31, 2014	As at March 31, 2013
Net Profit after tax (₹ In Thousands)	(29,123)	141,180
Weighted average number of equity shares outstanding ( Thousands)	190,000	190,000
<b>Earning Per Share (₹)</b>	<b>(0.15)</b>	<b>0.74</b>
Basic and Diluted (Face value of Rs. 10 per share)		

**25 RELATED PARTY DISCLOSURES****(i) List of Related parties and the nature of relationship:**

- a) **Holding Company**  
The Federal Bank Limited
- b) **Key Management Personnel**  
Ashok Das, President (Appointed w.e.f. 8 May 2013)  
P K Mohapatra, Manager (Resigned w.e.f. 7 May 2013)

(Amounts in Thousands)

**(ii) Transactions :-**

Particulars	For the year ended 31.3.2014	For the year ended 31.3.2013
<b>(a) Holding Company</b>		
<b>Transactions during the year:</b>		
Interest Income from Fixed Deposits	1,999	2,315
Commission Income	35,399	41,414
Interest paid on Cash Credit Facility	52,455	50,908
Re-imbursements of Expenses by Holding Company	6,190	10,432
Rent Recovered	-	1,060
Rent paid	19,472	3,724
Security deposit adjusted	10	-
Electricity Expenses paid	-	30
Travelling Expenses	22	-
Reimbursement of Salary to Holding Company	249	1,243
<b>Proposed Dividend</b>	-	70,590
<b>Closing Balances in:</b>		
- Fixed Deposit Accounts	22,428	21,851
- Interest On Fixed Deposit with Bank	326	335
- Current Account – Receivable/(Payable)	(185,448)	15,073
- Borrowings Cash credit facility	839,325	2,279,701
- Account Receivable	6,586	9,089





## FEDBANK FINANCIAL SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2014 (Contd...)

(i) Shares : (a) Equity	NIL
(b) Preference	NIL
(ii) Debentures and Bonds	NIL
(iii) Units of mutual funds	NIL
(iv) Government Securities	NIL
(v) Others (please specify)	NIL
<b>2. Unquoted :</b>	
(i) Shares : (a) Equity	NIL
(b) Preference	NIL
(ii) Debentures and Bonds	NIL
(iii) Units of mutual funds	NIL
(iv) Government Securities	NIL
(v) Others (please specify)	NIL

**5. Borrower group-wise classification of assets financed as in (2) and (3) above :** (Amounts in Thousands)

Category	Amount net of provisions*		
	Secured	Unsecured	Total
<b>1. Related Parties</b>			
(a) Subsidiaries	NIL	NIL	NIL
(b) Companies in the same group	NIL	NIL	NIL
(c) Other related parties-Holding Company	NIL	NIL	NIL
<b>2. Other than related parties</b>	3,397,603	15,584	3,394,793
<b>Total</b>	<b>3,397,603</b>	<b>15,584</b>	<b>3,394,793</b>

\* Contingent Provision on Standard Assets has not been netted off as per prudential norms

**6. Investor group-wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted):** (Amounts in Thousands)

Category	Market Value / Break up or fair value or NAV	Book Value (Net of Provisions)
<b>1. Related Parties</b>		
(a) Subsidiaries	NIL	NIL
(b) Companies in the same group	NIL	NIL
(c) Other related parties	NIL	NIL
<b>2. Other than related parties</b>	NIL	NIL
<b>Total</b>	<b>NIL</b>	<b>NIL</b>
<b>Other information</b>		
<b>Particulars</b>	Amount in Thousands	
<b>(i) Gross Non-Performing Assets</b>		
(a) Related parties		Nil
(b) Other than related parties		15,584
<b>(ii) Net Non-Performing Assets</b>		
a) Related parties		Nil
b) Other than related parties		(2,811)
<b>(iii) Assets acquired in satisfaction of debt</b>		Nil

27. Disclosure in balance sheet required as per Reserve Bank of India Circular No. DNBS (PD) CC No 125 / 03.05.002/2008-09 dated August 1, 2008 issued by the Reserve Bank of India.

**27.1 Capital to Risk Assets Ratio (CRAR):**

Particulars	As at March 31, 2014	As at March 31, 2013
	%	%
CRAR	50.88	39.82
CRAR - Tier I capital	50.65	39.59
CRAR - Tier II Capital	0.23	0.22



## FEDBANK FINANCIAL SERVICES LIMITED

Notes to the financial statements for the year ended March 31, 2014

### 28. Exposure to Real Estate Sector

(Amounts in Thousands)

Category	For the year ended 31.3.2014	For the year ended 31.3.2013
<b>a) Direct exposure</b>		
<b>(i) Residential Mortgages -</b> Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented:	572,426	28,524
<b>(ii) Commercial Real Estate -</b> Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented:		
<b>(ii) Commercial Real Estate -</b> Lending secured by mortgages on commercial real estate's (office buildings, retail space, multipurpose 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:	741,800	14,875
<b>(ii) Investments in Mortgage Backed Securities ( MBS) and other securitised exposures -</b>		
a. Residential		
b. Commercial Real Estate		
<b>b) Indirect Exposure</b> Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).		

### 29. Segment Reporting

In terms of the Accounting Standard 17, 'Segment Reporting' notified under the Companies (Accounting Standard) Rules, 2006, the company's operations are classified into three business segments as described in the accounting policy and the information on the same is as under:

(Amounts in Thousands)

Business Segments	Distribution		Retail Finance		Whole Sale Finance		Total	
	Year ended 31.03.2014	Year ended 31.03.2013						
Segment Revenue	37,560	46,095	643,817	838,530	6,333	-	687,710	884,625
Segment Expenditure *	56,578	53,881	588,315	582,287	1,648	-	646,541	636,168
Allocated Expenditure (Net)	4,113	6,996	71,062	62,664	423	-	75,598	69,660
<b>Results</b>	-23,131	-14,782	-15,560	193,579	4,262	-	-34,428	178,797
Unallocated Income							104	132
Interest Income on FD & Income Tax Refund							2,459	3,148
<b>Profit/(Loss) before Tax</b>							-31,865	182,077
Income Taxes							-2,742	40,897
<b>Net Profit/(Loss)</b>							-29,123	141,180





## INDEPENDENT AUDITORS' REPORT

To The Board of Directors 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 and associate (the Bank, its subsidiary and associate constitute "the group"), which comprise the Consolidated Balance Sheet as at 31st March, 2014, the Consolidated Profit and Loss Account and the Consolidated 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 Consolidated Financial Statements

The Bank's Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with the accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from

material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with the 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 judgement, 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 the internal control relevant to the Bank's preparation and presentation 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 the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion

In our opinion and to the best of our information and according to the explanations given to us, and based on the consideration of the report of the other auditors on the financial statements of the subsidiary referred to below in the Other Matter paragraph, the aforesaid consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at 31st March, 2014;
- (b) in the case of the Consolidated Profit and Loss Account, of the profit of the Group for the year ended on that date; and
- (c) in the case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

#### Emphasis of Matter

- a. We draw attention to Note No.1.10 of Schedule 18 to the 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 ₹33.68 Crore as at 31st March, 2014, included in Schedule 11 to the Consolidated Financial State-

ments 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.

- b. We draw attention to Note No.1.8 B of Schedule 18 of the Consolidated Financial Statements, regarding the creation of Deferred Tax Liability ("DTL") on Special Reserve under section 36(1)(viii) of the Income Tax Act, 1961 pursuant to RBI circular No. DBOD/No./BP/BC/77/21.04.018/2013-14 dated 20th December, 2013. The DTL of ₹53.96 Crore pertaining to periods upto 31st March, 2013 has been drawn from the Revenue Reserve of the Group.

Our report is not qualified in respect of these matters.

#### Other Matters

1. We did not audit the financial statements of a subsidiary, whose financial statements reflect total assets (net) of ₹ 380.62 Crore as at 31st March, 2014, total revenues of ₹ 69.03 Crore and net decrease in cash flows amounting to ₹ 3.65 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, in so far as it relates to the amounts and disclosures included in respect of this subsidiary, is based solely on the reports of the other auditors.
2. The consolidated financial statements also include the Group's share of net profit of ₹ 20.83 Crore for the year ended 31st March, 2014 in respect of an associate based on its unaudited financial information. On the basis of the information and explanations provided by the Management, it is expected that there should be no material impact on the consolidated fi-



nancial statements consequent to any possible adjustments to the unaudited financial statements in respect of the aforesaid entity, since the size of this entity in the context of the Group is not significant.

Our report is not qualified in respect of these matters.

For **Deloitte Haskins & Sells**      For **M P Chitale & Co.**  
Chartered Accountants              Chartered Accountants  
(Registration No.008072S)    (Registration No. 101851W)

**M. Ramachandran**                      **Ashutosh Pednekar**  
Partner    Partner  
(Membership No.16399)              (Membership No.041037)

Kochi,  
29th April, 2014



**THE FEDERAL BANK LIMITED**  
**CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2014**

(₹ in Thousands)

	Schedule	As at 31 March 2014	As at 31 March 2013
<b>CAPITAL AND LIABILITIES</b>			
Capital	1	1,710,619	17,10,587
Reserves and Surplus	2	66,896,459	6,09,28,564
Deposits	3	597,290,389	57,61,11,708
Borrowings	4	5,76,75,362	5,23,90,452
Other Liabilities and Provisions	5	2,28,75,541	1,87,88,221
<b>Total</b>		<b>74,64,48,370</b>	<b>70,99,29,532</b>
<b>ASSETS</b>			
Cash and Balances with Reserve Bank of India	6	3,10,83,713	2,74,88,606
Balances with banks and money at call and short notice	7	1,42,58,072	97,76,731
Investments	8	23,83,85,889	20,85,44,939
Advances	9	43,70,38,107	44,32,74,247
Fixed assets	10	43,64,594	41,44,751
Other assets	11	2,13,17,995	1,67,00,258
<b>Total</b>		<b>74,64,48,370</b>	<b>70,99,29,532</b>
Contingent liabilities	12	23,48,19,883	30,24,59,180
Bills for collection	17	1,20,95,403	1,22,66,208
Significant Accounting Policies	18		
Notes on Accounts			
Schedules referred to above form an integral part of the Consolidated Balance Sheet			
<b>For and on behalf of the Board of Directors</b>			
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		<u>Directors:</u>	
For <b>Deloitte Haskins &amp; Sells</b> Chartered Accountants Firm Reg. No. 008072S	For <b>M P Chitale &amp; Co.</b> Chartered Accountants Firm Reg. No. 101851W	Nilesh S Vikamsey	
M Ramachandran Partner Membership No. 016399	Ashutosh Pednekar Partner Membership No. 041037	Sudhir M Joshi	
		K M Chandrasekhar	
		Dilip G Sadarangani	
		Harish H Engineer	
Place: Kochi Date : 29th April, 2014		Grace Elizabeth Koshie	



**THE FEDERAL BANK LIMITED**  
**CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2014**

(₹ in Thousands)

	Schedule	Year ended 31 March 2014	Year ended 31 March 2013
<b>I. INCOME</b>			
Interest earned	13	7,00,56,953	6,24,63,207
Other income	14	68,51,820	66,46,394
<b>Total</b>		<b>7,69,08,773</b>	<b>6,91,09,601</b>
<b>II. EXPENDITURE</b>			
Interest expended	15	4,72,77,591	4,20,89,395
Operating expenses	16	1,49,35,015	1,22,85,925
Provisions and contingencies		64,07,004	62,32,225
<b>Total</b>		<b>6,86,19,610</b>	<b>6,06,07,545</b>
<b>III. NET PROFIT FOR THE YEAR</b>		<b>82,89,163</b>	<b>85,02,056</b>
Share In Profit Of Associate		2,08,330	24,506
<b>IV. CONSOLIDATED NET PROFIT ATTRIBUTABLE TO GROUP</b>		<b>84,97,493</b>	<b>85,26,562</b>
Balance in Profit and Loss Account brought forward from previous year			
-relating to holding company		41,33,513	18,62,112
-relating to subsidiary company		(15,178)	(45,535)
<b>V. AMOUNT AVAILABLE FOR APPROPRIATION</b>		<b>1,26,15,828</b>	<b>1,03,43,139</b>
<b>VI. APPROPRIATIONS</b>			
Transfer to Revenue Reserve		10,30,700	17,21,400
Transfer to Statutory Reserve		20,97,300	20,95,500
Transfer to Capital Reserve		1,79,520	2,29,500
Transfer to Special Reserve		3,82,300	3,37,000
Transfer to Reserve under Sec 45 IC of RBI Act		-	28,236
Provision for proposed dividend		17,10,624	15,39,528
Provision for Dividend Tax		2,78,724	2,73,640
Balance carried over to Consolidated Balance Sheet		69,36,660	41,18,335
<b>Total</b>		<b>1,26,15,828</b>	<b>1,03,43,139</b>
Earnings per Share (Basic and Diluted) (₹) (Face value of ₹ 2/- each) (Refer Note 1.2 of Schedule 18)		9.93	9.97
Significant Accounting policies	17		
Notes on Accounts	18		
Schedules referred to above form an integral part of the Consolidated Profit and Loss account			
<p>Krishnakumar K                      Girish kumar Ganapathy  Deputy General Manager              Company Secretary</p> <p style="text-align: center;">D. Sampath  General Manager &amp; CFO</p> <p>In terms of our report attached</p> <p>For <b>Deloitte Haskins &amp; Sells</b> Chartered Accountants  Firm Reg. No. 008072S</p> <p>M Ramachandran  Partner  Membership No. 016399</p> <p>Place: Kochi  Date : 29th April, 2014</p>		<p><b>For and on behalf of the Board of Directors</b></p> <p>Abraham Chacko                      Shyam Srinivasan  Executive Director                      Managing Director &amp; CEO</p> <p style="text-align: center;">Prof. Abraham Koshy  Chairman</p> <p><u>Directors:</u></p> <p>Nilesh S Vikamsey  Sudhir M Joshi  K M Chandrasekhar  Dilip G Sadarangani  Harish H Engineer  Grace Elizabeth Koshie</p>	



**THE FEDERAL BANK LIMITED**  
**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2014**

(₹ in Thousands)

	Year ended 31 March 2014	Year ended 31 March 2013
<b>Cash Flow from Operating Activities</b>		
<b>Net Profit before taxes</b>	1,22,25,751	1,21,30,020
<b>Adjustments for:</b>		
Depreciation on Bank's Property	9,78,649	8,24,582
Depreciation on Investments	11,15,918	(4,35,681)
Amortisation of Premium on Held to Maturity Investments	2,96,864	2,21,028
Provision for Non Performing Investments	-	67,500
Provision for Non Performing Assets (Including Bad Debts)	22,79,101	18,92,846
Provision on Standard Assets	1,24,809	4,93,400
(Profit)/ Loss on sale of fixed assets (net)	(11,873)	(1,981)
(Income) / Loss From Joint Venture	(2,08,330)	(24,506)
Provision for Restructured assets	(8,44,306)	6,76,826
Provision for Other Contingencies	3,223	(36,925)
	<b>1,59,59,806</b>	<b>1,58,07,109</b>
<b>Adjustments for working capital changes:-</b>		
(Increase)/ Decrease in Investments	(2,48,59,250)	(40,35,093)
(Increase)/ Decrease in Advances	39,57,039	(6,57,08,574)
(Increase)/ Decrease in Other Assets	(6,59,371)	2,15,262
Increase/ (Decrease) in Deposits	2,11,78,681	8,67,64,379
Increase/ (Decrease) in Other liabilities and provisions	28,05,818	7,61,117
Direct taxes paid	(64,16,624)	(50,01,087)
<b>Net Cash Generated from Operating Activities</b>	<b>1,19,66,099</b>	<b>2,88,03,113</b>
<b>Cash Flow from Investing Activities</b>		
Purchase of Fixed Assets	(12,25,748)	(15,62,508)
Proceeds from Sale of Fixed Assets	37,155	13,200
(Increase)/ Decrease in Held to Maturity Investments	(61,86,152)	(3,33,17,985)
<b>Net Cash Used in Investing Activities</b>	<b>(73,74,745)</b>	<b>(3,48,67,293)</b>



**THE FEDERAL BANK LIMITED**  
**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2014 (Contd...)**

(₹ in Thousands)

	Year ended 31 March 2014	Year ended 31 March 2013
<b>Cash Flow from Financing Activities</b>		
Proceeds from Issue of Share Capital	32	116
Proceeds from Share Premium	1,324	4,777
Repayment of Subordinate Debt	-	(7,60,000)
Increase/(Decrease) in Borrowings	52,84,909	1,04,90,029
Dividend Paid (Including Tax on Dividend)	(18,01,171)	(17,89,157)
<b>Net Cash generated from financing Activities</b>	<b>34,85,094</b>	<b>79,45,765</b>
<b>Increase/(Decrease) in Cash &amp; Cash Equivalents</b>	<b>80,76,448</b>	<b>18,81,585</b>
<b>Cash and Cash Equivalents at the beginning of year</b>	<b>3,72,65,337</b>	<b>3,53,83,752</b>
<b>Cash and Cash Equivalents at the end of year</b>	<b>4,53,41,785</b>	<b>3,72,65,337</b>

**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
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D. Sampath  
General Manager & CFO

Prof. Abraham Koshy  
Chairman

In terms of our report attached

Directors:

For <b>Deloitte Haskins &amp; Sells</b> Chartered Accountants Firm Reg. No. 008072S	For <b>M P Chitale &amp; Co.</b> Chartered Accountants Firm Reg. No. 101851W
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Nilesh S Vikamsey

Sudhir M Joshi

K M Chandrasekhar

M Ramachandran  
Partner  
Membership No. 016399

Ashutosh Pednekar  
Partner  
Membership No. 041037

Dilip G Sadarangani

Harish H Engineer

Grace Elizabeth Koshie

Place: Kochi  
Date : 29th April, 2014



**THE FEDERAL BANK LIMITED**  
**SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET**

(₹ in Thousands)

	As at 31 March 2014	As at 31 March 2013
<b>SCHEDULE 1 - CAPITAL</b>		
<b>Authorised Capital</b> 250,00,00,000 equity shares of ₹ 2 each (Previous year 20,00,00,000 equity shares of ₹ 10 each)	50,00,000	20,00,000
<b>Issued Capital</b> (85,66,63,830 equity shares of ₹ 2/-each (Previous year 17,13,29,541 shares of ₹10/- each)	17,13,327	17,13,295
<b>Subscribed, Called up and Paid up Capital</b> 85,53,11,785 equity shares of ₹ 2/- each (Previous year 17,10,59,132 shares of ₹ 10/- each)	17,10,623	17,10,591
Less: Calls in arrears	4	4
<b>Total</b>	<b>17,10,619</b>	<b>17,10,587</b>
i) The authorised capital was increased from ₹ 200 Crores to ₹ 500 Crores as per the resolution passed by the shareholders on 82nd Annual General Meeting held on 20th July 2013.		
ii) The face value of each equity share of ₹ 10/- was sub-divided into 5 (Five) Equity Shares of ₹ 2/- each with effect from 19th October 2013, Pursuant to the approval of the Shareholders at the 82nd Annual General Meeting held on 20th July 2013.		
iii) Also refer Note No: 1.3 in Schedule 18		



**THE FEDERAL BANK LIMITED**  
**SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET**

(₹ in Thousands)

	As at 31 March 2014	As at 31 March 2013
<b>SCHEDULE 2 - RESERVES AND SURPLUS</b>		
<b>I. Statutory Reserve</b>		
Opening balance	1,27,90,176	1,06,94,676
Additions during the year	20,97,300	20,95,500
	<b>1,48,87,476</b>	<b>1,27,90,176</b>
<b>II. Capital Reserves</b>		
<b>(a) Revaluation Reserve</b>		
Opening balance	52,065	54,142
Deductions during the year	1,974	2,077
	<b>50,091</b>	<b>52,065</b>
<b>(b) Others</b>		
Opening balance	18,85,693	16,56,193
Additions during the year	1,79,520	2,29,500
	<b>20,65,213</b>	<b>18,85,693</b>
	<b>21,15,304</b>	<b>19,37,758</b>
<b>III. Share premium</b>		
Opening balance	2,47,60,633	2,47,55,856
Additions during the year	1,324	4,777
	<b>2,47,61,957</b>	<b>2,47,60,633</b>
<b>IV. Revenue and Other Reserves</b>		
<b>a) Revenue Reserve</b>		
Opening Balance	1,29,27,741	1,12,06,341
Additions during the year	10,30,700	17,21,400
Deductions during the year	5,39,600	-
(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)		
	<b>1,34,18,841</b>	<b>1,29,27,741</b>
<b>b) Other Reserves</b>		
<b>Investment Fluctuation Reserve</b>		
Opening Balance	18,97,200	18,97,200
Additions during the year	-	-
	<b>18,97,200</b>	<b>18,97,200</b>
<b>c) Special Reserve (As per section 36(1)(viii) of Income Tax Act 1961)</b>		
Opening balance	21,57,600	18,20,600
Addition during the year	3,82,300	3,37,000
	<b>25,39,900</b>	<b>21,57,600</b>
<b>V. Contingency Reserve</b>		
Opening balance	3,01,003	3,01,003
Addition during the year	-	-
	<b>3,01,003</b>	<b>3,01,003</b>
<b>VI. Reserve Fund</b>		
Balance as per last Balance Sheet	36,648	8,412
Transferred from Profit and Loss Account	-	28,236
	<b>36,648</b>	<b>36,648</b>
<b>VII General Reserve</b>		
Balance as per last Balance Sheet	1,470	1,470
Transferred from Profit and Loss Account	-	-
	<b>1,470</b>	<b>1,470</b>
<b>VIII. Balance in Consolidated Profit and Loss Account</b>		
	<b>69,36,660</b>	<b>41,18,335</b>
<b>Total</b>	<b>6,68,96,459</b>	<b>6,09,28,564</b>



**THE FEDERAL BANK LIMITED**  
**SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET**

(₹ in Thousands)

	As at 31 March 2014	As at 31 March 2013
<b>SCHEDULE 3 - DEPOSITS</b>		
A. I. Demand Deposits		
i. From Banks	12,26,606	5,92,963
ii. From Others	3,25,69,220	2,84,81,366
	<b>3,37,95,826</b>	<b>2,90,74,329</b>
II. Savings Bank Deposits	15,28,42,589	12,74,31,909
III. Term Deposits		
i. From Banks	69,74,415	62,76,618
ii. From Others	40,36,77,559	41,33,28,852
	<b>41,06,51,974</b>	<b>41,96,05,470</b>
<b>Total</b>	<b>59,72,90,389</b>	<b>57,61,11,708</b>
B. I. Deposits of branches in India	<b>59,72,90,389</b>	<b>57,61,11,708</b>
II. Deposits of branches outside India	-	-
<b>Total</b>	<b>59,72,90,389</b>	<b>57,61,11,708</b>
<b>SCHEDULE 4 - BORROWINGS</b>		
I. Borrowings in India		
i. Reserve Bank of India	44,50,000	33,00,000
ii. Other Banks #	11,17,778	8,42,544
iii. Other institutions and agencies ##	4,10,11,343	3,43,39,160
	<b>4,65,79,121</b>	<b>3,84,81,704</b>
II. Borrowings outside India	1,10,96,241	1,39,08,748
<b>Total</b>	<b>5,76,75,362</b>	<b>5,23,90,452</b>
Secured borrowings included in I and II above	1,61,60,574	55,17,742
# Borrowings from other banks include Subordinated Debt of ₹ 3,22,000 Thousands (Previous Year ₹ 3,22,000 Thousands) in the nature of Non Convertible Debentures		
## Borrowings from other Institutions and agencies include Subordinated Debt of ₹ 19,78,000 Thousands (Previous Year ₹ 19,78,000 Thousands) in the nature of Non Convertible Debentures		
<b>SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS</b>		
I. Bills Payable	2,28,420	3,02,265
II. Inter - office adjustments (Net)	19,28,272	18,56,540
III. Interest accrued	17,26,253	6,87,622
IV. Others (including provisions)*	1,89,92,596	1,59,41,794
<b>Total</b>	<b>2,28,75,541</b>	<b>1,87,88,221</b>
*Includes :-		
(a) Contingent provision against standard assets	24,64,276	24,64,466
(b) Proposed Dividend	17,10,624	15,39,528
(c) Tax on Proposed Dividend	2,78,724	2,73,640
(d) Deferred Tax Liability (Net)	28,56,600	-



**THE FEDERAL BANK LIMITED**  
**SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET**

(₹ in Thousands)

	As at 31 March 2014	As at 31 March 2013
<b>SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA</b>		
I. Cash in hand (including foreign currency notes)	60,83,150	53,52,150
II. Balance with Reserve Bank of India		
i. in Current Accounts	2,50,00,563	2,21,36,456
ii. in Other Accounts	-	-
<b>Total</b>	<b>3,10,83,713</b>	<b>2,74,88,606</b>
<b>SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE</b>		
I. In India		
i. Balances with banks		
a. in Current Accounts	15,56,035	10,06,049
b. in Other Deposit Accounts	41,83,956	58,85,600
ii. Money at call and short notice		
a. With Banks	-	-
b. With other institutions	-	-
<b>Total</b>	<b>57,39,991</b>	<b>68,91,649</b>
II. Outside India		
i. in Current Accounts	1,29,981	1,70,832
ii. in Other Deposit Accounts	83,88,100	27,14,250
iii. Money at call and short notice	-	-
<b>Total</b>	<b>85,18,081</b>	<b>28,85,082</b>
<b>Grand Total (I and II)</b>	<b>1,42,58,072</b>	<b>97,76,731</b>



**THE FEDERAL BANK LIMITED**  
**SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET**

(₹ in Thousands)

	As at 31 March 2014	As at 31 March 2013
<b>SCHEDULE 8 - INVESTMENTS</b>		
I. Investments in India in :		
i. Government Securities ## **	15,82,30,694	14,57,50,543
ii. Other approved Securities	-	-
iii. Shares	17,57,652	25,64,217
iv. Debentures and Bonds	1,24,17,680	80,17,423
v. Joint Venture \$	11,87,361	9,79,031
vi. Others [Mutual Fund Units, CD/CP, Priority Sector Deposits, Pass Through Certificates (PTCs) etc. ]@	6,47,92,502	5,12,33,725
<b>Total</b>	<b>23,83,85,889</b>	<b>20,85,44,939</b>
II. Investments outside India		
<b>Grand Total (I and II)</b>	<b>23,83,85,889</b>	<b>20,85,44,939</b>
Gross Investments	23,94,92,111	20,86,90,427
Less: Depreciation/ Provision for Investments	11,06,222	1,45,488
Net Investments	<b>23,83,85,889</b>	<b>20,85,44,939</b>
<p>## Securities costing ₹ 1,575,571 Thousands ( Previous Year ₹ 1,447,241 Thousands ) pledged for clearing facility and margin requirements</p> <p>@ Includes priority sector shortfall deposits ₹ 35,053,818 Thousands (previous year ₹ 24,997,387 Thousands) and PTCs of ₹ 1,057,166 Thousands (Previous Year ₹ 77,022 Thousands) net of depreciation, if any.</p> <p>** Net of Repo borrowing of ₹ 27,768,000 Thousands (previous year ₹ 14,700,000 Thousands) under the Liquidity Adjustment Facility in line with the RBI requirements</p> <p>\$ represents investment accounted as an associate in line with AS -23 - Accounting of Investments in Associates in consolidated Financial Statements , as notified under Section 211 (3C) of the Companies act, 1956 [Refer Schedule 17, Note 2.2 (iv) ]</p>		



**THE FEDERAL BANK LIMITED**  
**SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET**

(₹ in Thousands)

	As at 31 March 2014	As at 31 March 2013
<b>SCHEDULE 9 - ADVANCES (NET OF PROVISIONS)</b>		
A. i. Bills purchased and discounted	1,30,28,687	1,49,38,824
ii. Cash credits, overdrafts and loans repayable on demand	23,13,87,667	26,74,18,289
iii. Term loans	19,26,21,753	16,09,17,134
<b>Total</b>	<b>43,70,38,107</b>	<b>44,32,74,247</b>
B. i. Secured by tangible assets \$	37,73,54,853	34,31,34,821
ii. Covered by Bank/Government guarantees #	2,04,33,617	2,69,26,169
iii. Unsecured	3,92,49,637	7,32,13,257
<b>Total</b>	<b>43,70,38,107</b>	<b>44,32,74,247</b>
C. I. Advances in India		
i. Priority Sector	15,51,32,546	11,49,56,971
ii. Public Sector	77,18,318	2,26,66,528
iii. Banks	46,614	29,641
iv. Others	27,41,40,629	30,56,21,107
<b>Total</b>	<b>43,70,38,107</b>	<b>44,32,74,247</b>
II. Advances outside India	-	-
<b>Grand Total (C I and C II)</b>	<b>43,70,38,107</b>	<b>44,32,74,247</b>
\$ Includes Advances against book debts		
# Includes advances against L/Cs issued by banks		



**THE FEDERAL BANK LIMITED**  
**SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET**

(₹ in Thousands)

	As at 31 March 2014	As at 31 March 2013
<b>SCHEDULE 10 - FIXED ASSETS</b>		
<b>I OWNED ASSETS</b>		
<b>a.Premises *</b>		
<b>Gross Block</b>		
At the beginning of the year	22,31,549	22,05,630
Additions during the year	32,003	25,919
Deductions during the year	-	-
<b>Closing Balance</b>	<b>22,63,552</b>	<b>22,31,549</b>
<b>Depreciation</b>		
As at the beginning of the year	6,28,015	5,68,870
Charge for the year	56,715	59,145
Deductions during the year	-	-
Depreciation to date	6,84,730	6,28,015
<b>Net Block</b>	<b>15,78,822</b>	<b>16,03,534</b>
<b>b.Other fixed assets</b> (including furniture and fixtures)		
<b>Gross Block</b>		
At the beginning of the year	62,62,179	48,12,631
Additions during the year	9,91,496	15,62,412
Deductions during the year	1,23,001	1,12,864
<b>Closing Balance</b>	<b>71,30,674</b>	<b>62,62,179</b>
<b>Depreciation</b>		
As at the beginning of the year	37,48,751	30,82,882
Charge for the year	9,29,984	7,67,514
Deductions during the year	1,07,629	1,01,645
Depreciation to date	45,71,106	37,48,751
<b>Net Block</b>	<b>25,59,568</b>	<b>25,13,428</b>
<b>II ASSETS GIVEN ON LEASE</b>		
<b>Gross Block</b>		
At the beginning of the year	31,013	31,013
Additions during the year	-	-
Deductions during the year	31,013	-
<b>Closing Balance</b>	<b>-</b>	<b>31,013</b>
<b>Depreciation</b>		
As at the beginning of the year	27,179	27,179
Charge for the year	-	-
Deductions during the year	27,179	-
Depreciation to date	-	27,179
<b>Net Block</b>	<b>-</b>	<b>3,834</b>
<b>III. Capital Work in progress (Including capital advances)</b>	2,26,204	23,955
<b>Total (I, II &amp; III)</b>	<b>43,64,594</b>	<b>41,44,751</b>
* Includes buildings constructed on leasehold land at different places having original cost of ₹ 655,216 Thousands (Previous Year ₹ 655,216 Thousands) and Written down value of ₹534,357 Thousands (Previous Year ₹549,014 Thousands) with remaining lease period varying from 60 -72 years		



**THE FEDERAL BANK LIMITED**  
**SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET**

(₹ in Thousands)

	As at 31 March 2014	As at 31 March 2013
<b>SCHEDULE 11 - OTHER ASSETS</b>		
I. Inter - office adjustments (net)	-	-
II. Interest accrued	50,69,281	42,73,812
III. Tax paid in advance/tax deducted at source (Net of provision)	1,09,04,352	56,94,828
IV. Stationery and Stamps	35,017	29,734
V. Non-banking assets acquired in satisfaction of claims	4,439	27,858
VI. Others @	53,04,906	66,74,026
<b>Total</b>	<b>2,13,17,995</b>	<b>1,67,00,258</b>
@ Includes Deferred Tax Asset (Net)	14,629	12,65,787
<b>SCHEDULE 12 - CONTINGENT LIABILITIES</b>		
I. Claims against the Bank not acknowledged as debts	32,73,140	73,01,798
II. Liability on account of outstanding forward exchange contracts	18,20,64,511	24,53,19,772
III. Guarantees given on behalf of constituents - in India	3,73,27,370	3,69,66,166
IV. Acceptances, endorsements and other obligations	1,21,54,862	1,23,38,376
V. Other items for which the Bank is contingently liable	-	5,33,068
<b>Total</b>	<b>23,48,19,883</b>	<b>30,24,59,180</b>



## THE FEDERAL BANK LIMITED

## SCHEDULES FORMING PART OF CONSOLIDATED PROFIT AND LOSS ACCOUNT

(₹ in Thousands)

	Year ended 31 March 2014	Year ended 31 March 2013
<b>SCHEDULE 13 - INTEREST EARNED</b>		
I. Interest/discount on advances/bills	50,706,983	47,144,177
II. Income on investments	17,768,285	14,645,987
III. Interest on balances with Reserve Bank of India and other inter-bank funds	523,541	563,557
IV. Others	1,058,144	109,486
<b>Total</b>	<b>70,056,953</b>	<b>62,463,207</b>
<b>SCHEDULE 14 - OTHER INCOME</b>		
I. Commission, exchange and brokerage	3,340,479	3,051,515
II. Profit on sale of investments (Net)	1,562,329	2,057,560
III. Profit on revaluation of investments (Net)	-	-
IV. Profit on sale of land, buildings and other assets (Net)	11,873	1,981
V. Profit on foreign exchange transactions (Net)	1,250,940	793,960
VI. Income earned by way of dividends etc. from companies in India	76,578	58,874
VII. Miscellaneous income [Includes Recoveries in assets written off ₹ 415,324 Thousands (previous year ₹ 481,213 Thousands)]	609,621	682,504
<b>Total</b>	<b>6,851,820</b>	<b>6,646,394</b>



**THE FEDERAL BANK LIMITED**  
**SCHEDULES FORMING PART OF CONSOLIDATED PROFIT AND LOSS ACCOUNT**

(₹ in Thousands)

	Year ended 31 March 2014	Year ended 31 March 2013
<b>SCHEDULE 15 - INTEREST EXPENDED</b>		
I. Interest on deposit:	4,20,92,558	3,83,73,181
II. Interest on Reserve Bank of India/Inter bank borrowings:	11,21,393	7,79,355
III. Others	40,63,640	29,36,859
<b>Total</b>	<b>4,72,77,591</b>	<b>4,20,89,395</b>
<b>SCHEDULE 16 - OPERATING EXPENSES</b>		
I. Payments to and provisions for employees	79,54,259	65,27,112
II. Rent, taxes and lighting	16,59,655	14,00,148
III. Printing and stationery	1,58,814	1,33,436
IV. Advertisement and publicity	2,10,326	1,30,125
V. Depreciation on Bank's property	9,80,623	8,26,659
Less: Depreciation on revaluation of Premises transferred from Revaluation Reserve	1,974	2,077
	9,78,649	8,24,582
VI. Directors' fees, allowances and expenses	11,476	7,738
VII. Auditors' fees and expenses (including branch auditors fees and expenses)	58,301	53,354
VIII. Law charges	57,372	68,537
IX. Postage, Telegrams, Telephones etc	4,58,576	3,32,303
X. Repairs and maintenance	4,27,256	4,46,598
XI. Insurance	5,84,133	4,78,227
XII. Other expenditure	23,76,198	18,83,765
<b>Total</b>	<b>1,49,35,015</b>	<b>1,22,85,925</b>



**THE FEDERAL BANK LIMITED****Schedule 17 : Significant Accounting Policies Forming Part of The Consolidated Financial Statements For The Year Ended 31 March, 2014****1. Corporate information**

The Federal Bank Limited ('FBL' or the 'Bank') together with its subsidiary and associate (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 by a small group of local citizens. 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, its subsidiary and associate (together the 'Group') have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards notified under Section 211(3C) of the Companies Act, 1956 ("1956 Act") (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 ("2013 Act") in terms of general circular 15/2013 dated 13th September, 2013 of the Ministry of Corporate Affairs) and the relevant provisions of the 1956 Act / 2013 Act, as applicable and current practices prevailing within the Banking Industry in India. The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the previous year.

**2.2. Principles of consolidation**

(i) The consolidated financial statements relate to the Federal Bank Limited ('FBL' or the 'Bank'), its subsidiary company and 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, 2014	31 March, 2013
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



**THE FEDERAL BANK LIMITED****Schedule 17 : Significant Accounting Policies Forming Part of The Consolidated Financial Statements For The Year Ended 31 March, 2014 (Contd...)**

- (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, 2014.
- (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 by 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 and floating provisions. 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.

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, 2.75 % 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



**THE FEDERAL BANK LIMITED****Schedule 17 : Significant Accounting Policies Forming Part of The Consolidated Financial Statements For The Year Ended 31 March, 2014 (Contd...)**

namely insignificant, low, moderate, high, very high, restricted and off-credit 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 between Categories**

Transfer 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 – Each security in this category is valued at the market price or fair value and the net depreciation of each group is recognised in the Profit and Loss account. Net appreciation, if any, is ignored. The market value of investments where current quotations are not available is determined as per the norms prescribed by RBI.
- 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. 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



**THE FEDERAL BANK LIMITED****Schedule 17 : Significant Accounting Policies Forming Part of The Consolidated Financial Statements For The Year Ended 31 March, 2014 (Contd...)**

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) 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**

- 1) Held for Trading and Available for Sale – Profit or loss on sale / redemption is included in the Profit and Loss account.
- 2) 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.



**THE FEDERAL BANK LIMITED****Schedule 17 : Significant Accounting Policies Forming Part of The Consolidated Financial Statements For The Year Ended 31 March, 2014 (Contd...)****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.

**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 forward exchange contracts including 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 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 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 freight, duties, taxes and incidental expenses related to the acquisition and installation of the asset.



**THE FEDERAL BANK LIMITED****Schedule 17 : Significant Accounting Policies Forming Part of The Consolidated Financial Statements For The Year Ended 31 March, 2014 (Contd...)**

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.

Premises which were revalued are stated at such values on revaluation and the appreciation credited to the Revaluation Reserve.

Depreciation is provided on the written down value from the date of addition at the rates prescribed in Schedule XIV to the Companies Act, 1956 except in the following cases where higher rate of depreciation has been provided on a straight – line basis.

Asset	Rate of Depreciation	
	2013-14	2012-13
Computers and Accessories, Mobile Phones, EPABX	33.33%	33.33%
Software Expenditure	33.33%	33.33%
Improvements to leased premises	20.00%	20.00%

Depreciation on assets revalued has been charged on their written-down value including the addition made on revaluation, and an equivalent amount towards the additional depreciation provided consequent upon revaluation has been transferred from the Revaluation Reserve to the Profit and Loss Account.

All fixed assets individually costing less than ₹ 5,000 are fully depreciated in the year of installation.

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 amounts of assets are reviewed at each Balance Sheet date to ascertain if there is any indication of impairment based on internal/external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital. After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

**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)



**THE FEDERAL BANK LIMITED****Schedule 17 : Significant Accounting Policies Forming Part of The Consolidated Financial Statements For The Year Ended 31 March, 2014 (Contd...)****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 notified under Section 211(3C) of the Companies Act, 1956 and the RBI guidelines

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 or loss arising on sale of NPAs is accounted as per the guidelines prescribed by the RBI, which require provisions to be made for any deficit (where sale price is lower than the net book value), while surplus (where sale price is higher than the net book value) is ignored.

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.

Depreciation on non-performing leased assets (NPAs) is provided on written-down value as per the Companies Act 1956, by directly charging to Profit & Loss Account without any corresponding adjustment in the Lease Adjustment Account. In addition to depreciation, provision is also made for non-performing leased assets as per RBI guidelines.

**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.



**THE FEDERAL BANK LIMITED****Schedule 17 : Significant Accounting Policies Forming Part of The Consolidated Financial Statements For The Year Ended 31 March, 2014 (Contd...)****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 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 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.



**THE FEDERAL BANK LIMITED****Schedule 17 : Significant Accounting Policies Forming Part of The Consolidated Financial Statements For The Year Ended 31 March, 2014 (Contd...)****2.16 Debit card reward points**

Provision for probable redemption of debit card reward points is based on actuarial valuation report of an 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 year taxes are determined in accordance with the Income tax Act, 1961. Deferred income taxes reflect the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the Balance Sheet date. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the taxes on income levied by same governing taxation laws. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. The impact of changes in the deferred tax assets and liabilities is recognised in the Profit and Loss Account.

Deferred tax assets are recognised and reassessed at each reporting date, based upon the Management's judgement as to whether realisation is considered as reasonably certain. Deferred tax assets are recognised on carry forward of unabsorbed depreciation and tax losses only if there is virtual certainty that such deferred tax asset can be realised against future profits.

**2.19 Earnings per Share**

The Bank reports basic and diluted earnings per share in accordance with AS 20, Earnings per Share, as notified under Section 211(3C) of the Companies Act, 1956. 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.



**THE FEDERAL BANK LIMITED****Schedule 17 : Significant Accounting Policies Forming Part of The Consolidated Financial Statements For The Year Ended 31 March, 2014 (Contd...)****2.20 Provisions, contingent liabilities and contingent assets**

A provision is recognised when the Group has a present obligation as a result of past event where 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 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.

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

Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.



## THE FEDERAL BANK LIMITED

## Schedule 18 : Notes On Accounts Forming Part of the Consolidated Financial Statements For The Year Ended 31 March, 2014

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

(₹ in Crore)

	For the year ended / As at	31 March 2014	31 March 2013
i)	Provision towards NPAs (net)	227.91	189.64
ii)	Provision for depreciation Investments	111.59	(41.49)
iii)	Provision for Non Performing Investments	-	6.75
iv)	Provision for Standard Assets	12.48	49.64
v)	Provision for Taxation :		
	Current Tax	198.00	520.09
	Deferred tax	252.12	(160.41)
	Mat credit entitlement	(77.29)	-
vi)	Provision towards present value of sacrifice on restructuring, expected wage revision, other contingencies etc.	(84.11)	59.00
	Total	640.70	623.22

## 1.2 Earnings per Share ('EPS')

Particulars	31 March 2014	31 March 2013
Weighted average number of equity shares used in computation of basic earnings per share (in 000's)	855,306	855,295
Weighted average number of equity shares used in computation of diluted earnings per share (in 000's)	855,306	855,295
Nominal Value of share (in ₹)	2	2
Basic earnings per share (in ₹)	9.93	9.97
Diluted earnings per share (in ₹)	9.93	9.97
Earnings used in the computation of basic and diluted earnings per share (₹ in '000')	84,97,493	85,26,562



**THE FEDERAL BANK LIMITED****Schedule 18: Notes on Accounts Forming Part of the Consolidated Financial Statements (Contd...)****1.3 A. Subscribed and paid up capital includes:**

- (i) 16590 shares of ₹2/- each (Previous year 3318 shares of ₹10/-) issued for consideration other than cash
- (ii) 21025590 underlying equity shares of ₹2/- each per share (previous year 3371338 of ₹10/- each) held by custodian on behalf of holders of Global Depository Receipts (GDRs)
- (iii) 74280 ESOS shares of ₹2/- per share (previous year 11631 shares of ₹10) allotted under ESOS 2010.

**B.** Allotment of 6530 shares of ₹2/- each (Previous year 1306 shares of ₹10/ 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 52,420 shares of ₹ 10/- per share) pertaining to the Rights issue of 1996 issued at a premium of ₹140/- per Share and 10,83,415 equity shares of ₹ 2/- each (previous year 2,16,683 shares of ₹10/ 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 412,940 shares of ₹ 2/- each (previous year 82788 shares of ₹ 10/- each) out of the Bonus issue of 2004 are kept in abeyance consequent to injunction 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, 2014	31 March, 2013
Outstanding at the beginning of the year	27,231,395	15,179,375
Surrendered during the year	-	-
Granted during the year*	13,047,125	12,242,375
Exercised during the year	16,125	58,155
Forfeited/lapsed during the year	3,234,590	1,32,200
Outstanding at the end of the year	37,027,805	27,231,395
Options exercisable	13,795,665	7,301,850

\* ESOS granted on 12th September 2013 with vesting period of 1,2,3 and 4 years. Exercise period of 5 years and exercise price of ₹ 57.25 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



**THE FEDERAL BANK LIMITED****Schedule 18: Notes on Accounts Forming Part of the Consolidated Financial Statements (Contd...)**

adopted based on "Black-Scholes pricing model" for pricing and accounting of options, net profit would be lower by ₹ 20.03 Crore (Previous Year: ₹ 12.73 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 ₹ 9.70 and ₹9.64 (Previous Year: ₹ 9.65 and ₹ 9.62) 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 be eligible for full dividend for the year ended 31 March 2014, if approved at the ensuing Annual General Meeting. Dividend relating to these shares has not been recorded in the current year.

**1.5 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.

The operations of Subsidiary has been classified under 'Retail Banking'.



## THE FEDERAL BANK LIMITED

## Schedule 18: Notes on Accounts Forming Part of the Consolidated Financial Statements (Contd...)

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 Loss/Profit of associate					20.83
Extraordinary profit/loss					--
Net Profit					849.75
<b>OTHER INFORMATION</b>					
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

Segment results as on 31 March 2013, are set out below:

(₹ in Crore)

Business Segments	Treasury	Corporate/Whole sale Banking	Retail Banking	Other Banking Operations	Total
Revenue	1813.60	2169.73	2886.83	40.80	6910.96
Result (net of provisions)	290.47	261.14	641.79	33.15	1226.55
Unallocated expense					(16.66)
Operating profit (PBT)					1209.89
Income taxes					(359.68)
Share of Loss/Profit of associate					2.45
Extraordinary profit/loss					--
Net Profit					852.66

(Contd...)



**THE FEDERAL BANK LIMITED****Schedule 18: Notes on Accounts Forming Part of the Consolidated Financial Statements (Contd...)**

(₹ in Crore)

Business Segments	Treasury	Corporate/Whole sale Banking	Retail Banking	Other Banking Operations	Total
<b>OTHER INFORMATION</b>					
Segment Assets	24616.62	22037.56	23145.80	69.28	69869.26
Unallocated assets					1123.69
Total assets					70992.95
Segment liabilities	22160.36	20402.09	21551.05	-	64113.50
Unallocated liabilities					615.53
Total liabilities					64729.03

**Geographic Segment Information**

The Group operates within India.

**1.6 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. P C John, Executive Director & CFO (Upto 30th April, 2013)	Key Management Personnel
Sri. Abraham Chacko (Executive Director) (from 08th August, 2013)	Key Management Personnel

**b) Significant transactions with related parties:**

(₹ in Crore)

Particulars	Key Management Personnel #	
	31 March 2014	31 March 2013
Remuneration		
Sri. Shyam Srinivasan	0.95	1.05
Sri. P C John (Including Retirement Benefits)	0.20	0.44
Sri. Abraham Chacko	0.82	-
Dividend Paid	*	*

Asterisk denotes figures below ₹ 1 Lakh

During the year 2013-14, 966 Thousands (Previous Year : 715 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



**THE FEDERAL BANK LIMITED****Schedule 18: Notes on Accounts Forming Part of the Consolidated Financial Statements (Contd...)****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 2014	31 March 2013
Gross Block		
At the beginning of the year	73.31	39.67
Additions during the year	9.56	33.64
Deductions during the year	-	-
Closing Balance	82.87	73.31
Depreciation / Amortisation		
At the beginning of the year	37.24	31.94
Charge for the year	18.46	5.30
Deductions during the year	-	-
Depreciation to date	55.70	37.24
Net Block	27.17	36.07

**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. Depreciation for the year on the net addition to value on such revaluation of assets at ₹ 0.20 Crore (Previous year: ₹ 0.21 Crore) has been transferred from Revaluation Reserve to Consolidated Profit & Loss Account. There has been no revaluation of assets during this year.

**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 2014	31st March 2013
<b>Deferred Tax Liability</b>		
Tax effect of items constituting deferred tax liability:		
(i) Interest accrued but not due	137.83	111.81
(ii) Depreciation on Fixed Assets	2.14	5.22
(iii) Depreciation on Investments	349.70	151.85
(iv) Special Reserve under Sec 36 (1) (viii) of the Income Tax Act, 1961	12.99	-
Total (A)	502.66	268.88
<b>Deferred Tax Asset</b>		
Tax effect of items constituting deferred tax assets:		
(i) Interest/premium paid on purchase of securities	65.89	56.29
(ii) Provision for Standard Assets	83.41	83.34
(iii) Others	227.82	225.47
Total (B)	377.12	365.10
<b>Deferred tax liability/ (Asset) (A-B)</b>	<b>125.54\$</b>	<b>(96.22)\$</b>

(Continued...)



**THE FEDERAL BANK LIMITED****Schedule 18: Notes on Accounts Forming Part of the Consolidated Financial Statements (Contd...)**

(₹ in Crore)

	31st March 2014	31st March 2013
Add: Deferred tax on Reserve 36(1)(viii) of the Income Tax Act, 1961, upto 31 March, 2013 drawn from Revenue Reserve	53.96	0.00
Less: Deferred tax on Provision for NPA and other disallowances by the Income Tax Department	(104.70)	30.36
<b>Net Deferred tax liability/ (Asset)</b>	<b>284.20</b>	<b>(126.58)</b>

\$ Net Deferred Asset of Rs.252.12 Crore [ Previous Year ₹ 160.41 Crore (credited)] to the Consolidated Profit and Loss Account.

**B. Draw Down from Reserves**

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 Sec 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.

**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 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 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 ₹1.44 Crore (Previous year: ₹1.38 Crore) for provident fund contributions, ₹ 0.30 Crore (Previous Year ₹ 0.30 Crore) for Employee State Insurance Scheme Contributions and ₹ 9.41 Crore. (Previous year: ₹ 5.69 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



**THE FEDERAL BANK LIMITED****Schedule 18: Notes on Accounts Forming Part of the Consolidated Financial Statements (Contd...)****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, 2014.

**i) Change in benefit obligations**

(₹ in Crore)

Particulars	Gratuity Plan				Pension Plan	
	FBL		FFSL		FBL	
	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
Projected benefit obligation, beginning of the year	240.13	225.25	0.08	0.04	584.12	598.76
Service Cost	13.07	12.00	0.10	0.06	47.11	42.18
Interest cost	19.75	18.20	0.01	*	44.22	46.14
Actuarial (gain)/ loss	(42.74)	6.85	(0.04)	(0.02)	13.77	8.98
Benefits paid	(28.95)	(22.17)	*	--	(157.44)	(111.94)
Projected benefit obligation, end of the year	201.26	240.13	0.15	0.08	531.78	584.12

Asterisk denote figure ₹ 1 Lakh



## THE FEDERAL BANK LIMITED

## Schedule 18: Notes on Accounts Forming Part of the Consolidated Financial Statements (Contd...)

## ii) Change in plan assets

(₹ in Crore)

Particulars	Gratuity Plan				Pension Plan	
	FBL		FFSL		FBL	
	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
Plan assets at beginning of the year at fair value	221.67	198.87	-	-	444.17	422.62
Expected return on plan assets	19.49	16.90	-	-	38.33	35.92
Actuarial gain/(loss)	0.16	1.69	-	-	0.26	3.23
Employer's Contributions	18.46	26.38	-	-	90.93	94.34
Benefits paid	(28.95)	(22.17)	-	-	(157.44)	(111.94)
Plan assets at end of the year, at fair value	230.83	221.67	-	-	416.25	444.17

## 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	
	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
Fair value of plan assets at the end of the year	230.83	221.67	NA	NA	416.25	444.17
Present value of the defined benefit obligations at the end of the period	201.26	240.13	0.15	0.08	531.78	584.12
Liability recognized in the Consolidated Balance Sheet	(29.57)	18.46	(0.15)	(0.08)	115.53@	139.95@

@ Includes amount payable on account of transitional liability due to second option for pension ₹ 33.68 Crore (Previous year ₹ 67.36 Crore)



## THE FEDERAL BANK LIMITED

## Schedule 18: Notes on Accounts Forming Part of the Consolidated Financial Statements (Contd...)

## iv) Gratuity / pension cost for the year ended 31 March, 2014

(₹ in Crore)

Particulars	Gratuity Plan				Pension Plan	
	FBL		FFSL		FBL	
	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
Service cost	13.07	12.00	0.10	0.06	47.11	42.18
Interest cost	19.75	18.20	0.01	*	44.22	46.14
Expected return on plan assets	(19.49)	(16.90)	-	-	(38.33)	(35.92)
Actuarial (gain)/loss	(42.90)	5.16	(0.04)	(0.02)	13.51	5.75
Employee Cost	(29.57)	18.46	0.07	0.04	66.51	58.15
Amortisation Cost	-	-	-	-	33.68	33.68
Net Cost Debit to Consolidated Profit and Loss Account	(29.57)	18.46	0.07	0.04	100.19	91.83
Amount not debited in Consolidated profit and loss account, but carried over to be amortised in future years #	-	-	-	-	33.68	67.36
Actual return on plan assets	19.64	18.59	-	-	38.59	39.15

Asterisk denotes figure below ₹ 1 Lakh

# See Note No. 1.10 of Schedule 18.

## v) Investment details of plan Assets

(₹ in Crore)

Particulars	Gratuity Plan				Pension Plan	
	FBL		FFSL		FBL	
	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
Central and state Government bonds	42.66	46.53	NA	NA	134.04	137.37
Other debt securities	27.65	29.51	NA	NA	82.04	90.47
Balance in Saving bank account with the Bank	1.17	2.87	NA	NA	2.94	6.33
Net current assets	2.04	2.21	NA	NA	6.15	6.68
Balance with LIC #	157.31	140.55	NA	NA	191.08	203.32
Total	230.83	221.67	NA	NA	416.25	444.17

# 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.



## THE FEDERAL BANK LIMITED

## Schedule 18: Notes on Accounts Forming Part of the Consolidated Financial Statements (Contd...)

## vi) Experience adjustments

## i) Gratuity Plan

## a) FBL

(₹ in Crore)

	2013-14	2012-13	2011-12	2010-11	2009-10
Defined Benefit Obligations	201.26	240.13	225.25	203.51	181.73
Plan Assets	230.83	221.67	198.87	184.69	181.73
Surplus(Deficit)	29.57	(18.46)	(26.38)	(18.82)	-
Experience adjustments on Plan Liabilities [Gain/(Loss)]	(5.74)	17.02	0.03	13.89	40.36
Experience Adjustments on Plan Assets [ Gain/ (Loss)]	1.76	22.33	0.64	(0.26)	(0.10)

## b) FFSL

(₹ in Crore)

	2013-14	2012-13	2011-12	2010-11	2009-10
Defined Benefit Obligations	0.15	0.08	0.04	0.08	NA
Plan Assets	Nil	Nil	Nil	Nil	NA
Surplus(Deficit)	(0.15)	(0.08)	(0.04)	0.08	NA
Experience adjustments on Plan Liabilities [Gain/(Loss)]	(0.02)	0.04	(0.02)	0.03	NA
Experience adjustments on Plan Liabilities [Gain/(Loss)]	Not Applicable	Not Applicable	Not Applicable	Not Applicable	NA

NA – Not Available

## ii) Pension Plan

## FBL

(₹ in Crore)

	2013-14	2012-13	2011-12	2010-11	2009-10
Defined Benefit Obligations	531.78	584.12	598.76	589.34	195.38
Plan Assets	416.25	444.17	422.62	404.04	195.38
Surplus(Deficit)	(115.53)	(139.95)	(176.14)	(185.30)	-
Experience Adjustments on Plan Liabilities	(8.18)	(1.22)	450.11	0.59	(0.22)
Experience Adjustments on Plan Assets	3.03	1.38	0.96	(0.37)	(0.72)



## THE FEDERAL BANK LIMITED

## Schedule 18: Notes on Accounts Forming Part of the Consolidated Financial Statements (Contd...)

## vii) Assumptions

(₹ in Crore)

Particulars	Gratuity Plan				Pension Plan	
	FBL		FFSL		FBL	
	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
Discount rate	8.75%	8.50%	8.80%	7.95%	8.75%	8.50%
Annuity rate per Rupee	-	-	-	-	126.18297	126.18297
Salary escalation rate	5.10%	5.00%	7.50%	10.00%	5.10%	5.00%
Estimated rate of return on plan assets	8.79%	8.50%	-	-	8.63%	8.50%
Attrition Rate	3.00%	1.00%	Not Available	Not Available	3.00%	1.00%
Mortality Table	IALM 2006-08 Ultimate	LICI 1994 - 1996	IALM 2006-08 Ultimate	IALM 2006-08 Ultimate	IALM 2006-08 Ultimate	LICI 1994- 1996

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.

The bank expects to contribute ₹ Nil (Previous Year ₹ 29.02 Crore) and ₹ 90 Crore (Previous Year ₹ 63.96 Crore) as gratuity and pension respectively for the year 2014-15

**(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 ₹ 2.12 Crore (Previous year: ₹ 9.93 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 period in which they occur.



**THE FEDERAL BANK LIMITED****Schedule 18: Notes on Accounts Forming Part of the Consolidated Financial Statements (Contd...)**

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

(₹ in Crore)

As at 31 March, 2014		
	FBL	FFSL
Privilege leave	115.99	0.28
Sick leave	30.77	-
Leave Travel Concession	7.67	-
Casual Leave	0.51	-
<b>Total actuarial liability</b>	<b>154.94</b>	<b>0.28</b>
<b>Assumptions</b>		
Discount rate	8.75%	8.80%
Salary escalation rate	5.10%	7.50%
Attrition Rate	3.00%	Not Available

(₹ in Crore)

As at 31 March, 2013		
	FBL	FFSL
Privilege leave	113.53	0.46
Sick leave	27.18	-
Leave Travel Concession	9.87	-
Casual Leave	2.23	-
<b>Total actuarial liability</b>	<b>152.81</b>	<b>0.46</b>
<b>Assumptions</b>		
Discount rate	8.50%	7.95%
Salary escalation rate	5.00%	10.00%
Attrition Rate	1%	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 and the balance unamortised pension liability of ₹ 33.68 Crore (Previous Year: ₹ 67.36 Crore) is to be amortised in the next year.



## THE FEDERAL BANK LIMITED

## Schedule 18: Notes on Accounts Forming Part of the Consolidated Financial Statements (Contd...)

## 1.11 Provisions and Contingencies

## a) Movement in provision for frauds included under other liabilities:

(₹ in Crore)

	31 March, 2014	31 March, 2013
Balance at the beginning of the year	5.10	3.83
Additions during the year	0.22	1.27
Reductions on account of payments during the year	-	-
Reductions on account of reversals during the year	*	-
<b>Balance at the end of the year</b>	<b>5.32</b>	<b>5.10</b>

Asterisk denotes figures below ₹ 1 Lakh.

## b) Movement in provision for debit card reward points:

(₹ in Crore)

	31 March, 2014	31 March, 2013
Balance at the beginning of the year	3.53	0.17
Provision made during the year	--	3.37
Reductions during the year	2.53	0.01
<b>Balance at the end of the year</b>	<b>1.00</b>	<b>3.53</b>

## c) Movement in provision for other contingencies (including derivatives):

(₹ in Crore)

	31 March, 2014	31 March, 2013
Balance at the beginning of the year	32.82	38.37
Provision made during the year	110.69	5.05
Reductions during the year	1.46	10.60
<b>Balance at the end of the year</b>	<b>142.05</b>	<b>32.82</b>

## d) Movement in floating provisions:

(₹ in Crore)

Particulars	Standard Assets Provisions		NPA Provision	
	2013-14	2012-13	2013-14	2012-13
Opening balance	38.00	38.00	179.52	179.52
Provision made during the year	-	-	-	-
Draw down from provision	12.50	-	-	-
Closing balance	25.50	38.00	179.52	179.52



**THE FEDERAL BANK LIMITED****Schedule 18: Notes on Accounts Forming Part of the Consolidated Financial Statements (Contd...)****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

Other items represent stock of gold on consignment basis.

**1.13** Statement of information relating to subsidiary companies (In terms of Government of India, Ministry of Corporate Affairs General Circular No: 2/2011, No: 5/12/2007-CL III dated 8th February, 2011) in compliance with section 212 of the Companies Act, 1956 for the year ended 31 March, 2014 and 31 March, 2013 :

(₹ in Crore)

Name of the subsidiary	Fedbank Financial Services Limited
Period of the financial statements considered	31 March 2014
Currency	INR
Share Capital including share application money	190.00
Reserves	(0.62 )
Total Assets	380.62
Total Liabilities	191.24
Details of Non-current and Current Investment	Nil
Turnover (Net)	69.03
Profit/ (Loss) before taxation	(3.19)
Provision for taxation	(0.27)
Profit/ (Loss) after taxation	(2.91)
Proposed Dividend (Including Corporate Dividend Tax)	-



## THE FEDERAL BANK LIMITED

## Schedule 18: Notes on Accounts Forming Part of the Consolidated Financial Statements (Contd...)

(₹ in Crore)

Name of the subsidiary	Fedbank Financial Services Limited
Period of the financial statements considered	31 March 2013
Currency	INR
Share Capital including share application money	190.00
Reserves	2.29
Total Assets	493.51
Total Liabilities	301.22
Details of Non-current and Current Investment	Nil
Turnover (Net)	88.48
Profit/ (Loss) before taxation	18.21
Provision for taxation	4.09
Profit/ (Loss) after taxation	14.12
Proposed Dividend (Including Corporate Dividend Tax)	8.26

## Notes :

- (i) The Consolidated financial statements are in compliance with applicable Accounting Standards in India.
- (ii) In compliance with the requirements of Clause 32 of the Listing Agreement, the consolidated financial statements are duly audited by the auditors.

**1.14. 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.

**1.15.** 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  
Sudhir M Joshi  
K M Chandrasekhar  
Dilip G Sadarangani  
Harish H Engineer  
Grace Elizabeth Koshie

Place: Kochi  
Date: 29th April, 2014



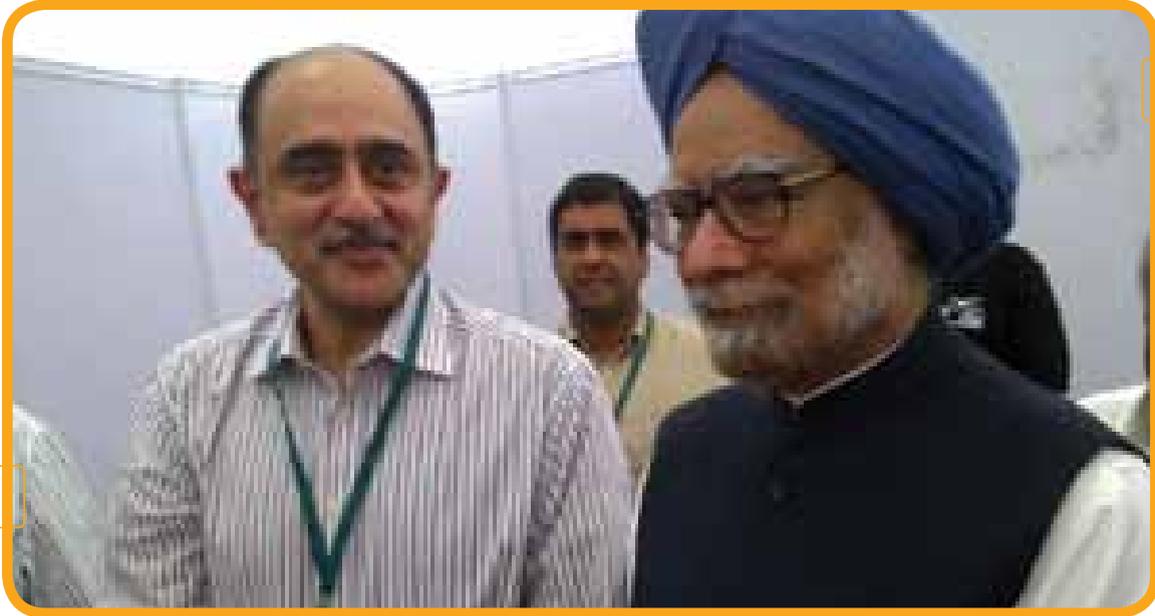


Inauguration of Treasury Disaster Recovery Site at 6th Floor, Federal Towers, Marine Drive, Ernakulam by our Chairman Prof Abraham Koshy in the Presence of our MD & CEO Shri Shyam Srinivasan, Shri Abraham Chacko (ED), Shri Ashutosh Khajuria (President Treasury & Head NW2) and others.



Official launch of our new tech product—FEDBOOK at Technopark, Trivandrum by our former Chairman, Shri Suresh Kumar in the presence of Shri Shyam Srinivasan (MD & CEO), Board of Directors, General Managers and other top Executives.





Our MD & CEO Shyam Srinivasan shares a moment with former Prime Minister Dr. Manmohan Singh at the sidelines of "Navathi of Mathrubhumi".



Our Bank has won the Innovation Award- 2013 for 'FEDBOOK'- Our MD & CEO Shri Shyam Srinivasan receiving the Innovation Award- 2013 for FedBook, instituted by IBA from the former Union Finance Minister Shri P Chidambaram, at the BANCON- 2013 being held at Mumbai.





British Cabinet Minister for Communities and Local Government, Mr Eric Pickles being welcomed by Our MD & CEO, Mr Shyam Srinivasan, at the Corporate Office of Federal Bank prior to the discussions on Environment Friendly Master planning of Aluva Town.



Federal Bank- Grand Kerala Shopping Festival- MOU of Grand Kerala Shopping Festival 2013-14 exchange between Shri Sasidharan C P (Former DGM & Zonal Head) & Shri Hari Kishore (Director, GKSF) in the presence of Shri A P Anil Kumar (Minister for Tourism), Shri Mohan K (AGM & Regional Head).





Shri Abraham Chacko, Executive Director receiving Award for the 'Most Socially Committed Organization' from Shri. P K Kunhalikutty, Minister for Industries, Kerala at a function organized by Emerging Kerala Business Conclave & Awards 2013 by DC Media & DC Books. Mr. Shiv Khara, Author of the Bestseller 'You Can Win' and Dr.Rashid Al Leem, Director General, HFZA Sharjah etc. are also seen.



Federal Bank CSR initiative: "Diabetic Awareness & Prevention Project"- Lab equipped van – a joined initiative of Rotary International and Federal Bank. The van was flagged off by Shri K Babu, Minister for Fisheries, Ports & Excise, Government of Kerala in the presence of Shri. Raju Hormis (Head CSR, Federal Bank), Shri Radhakrishnan Nair (Former CHRO, Federal Bank), Shri Varghese K I (General Manager & Head NW1 Federal Bank), Rot. Dr. Ajay Kumar, District Governor Rotary 3201 and others.





Federal Bank joins the "Rupay League" of India's own domestic payment network. Shri N R. Narayana Murthy Chairman, NPCI launches the Rupay Card to the public in the presence of our MD & CEO Shri Shyam Srinivasan, Shri A P Hota, MD& CEO, NPCI and others.



Federal Bank won two IDRBT Awards for Excellence in Banking Technology for the year for a) Best IT Team and b) Best Mobile Banking in the small bank category. Seen in the picture are Shri .Shyam Srinivasan, MD & CEO and Shri . Sunny K P (ADGM –IT & Operations) and Head-IT and Operations receiving the awards at a function held at Hyderabad from the former RBI Governor, Dr. D Subbarao.





Federal Bank launched Namma Metro Transit cum Debit Card partnering with Bangalore Metro Rail Corporation Limited (BMRCL). Seen in the picture Shri Ashutosh Khajuria (President -Treasury and Network II Head), Shri Pradeep Singh Kharola (MD & CEO - BMRCL), Shri Prasad Guntupalli (MD & CEO - Attra Infotech), Shri Jose K Mathew(ADGM & Zonal Head), Shri Abu George (AGM & RH).



Exchange of agreement between Federal Bank and Shree Siddhivinayak Temple Trust for Online Religious offerings. Seen in the picture are Shri Shyam Srinivasan, MD & CEO, Shri Mangesh Shinde, Executive Officer, Shree Siddhivinayak Temple Trust, and other senior executives.





Federal Bank was awarded “The Best Bank among Private Sector Banks” constituted by IPE BFSI (Institute of Public Enterprises) at a function held in Mumbai on 29.06.2013. The award was received by Shri. Jose V Joseph, Addl General Manager and was presented by Hon. Ambassador of Burundi and Padma Vibhushan Shri. P. Rama Rao, President of IPE.



Federal Bank CSR initiative- “e-jaalakam” Federal Bank along with St Teresa’s College launched e- Jaalakam on 17th July 2013 at St Teresa’s College. Shri P H Kurian, (IAS, Principal Secretary, Department of Information Technology, Govt of Kerala) inaugurates the function in the presence of Shri Varghese K I (General Manager & Head NW 1), Shri Raju Hormis (CSR Head), Shri Hibi Eden (MLA, Ernakulam), Shri Sheik Pareeth IAS (Former District Collector) and others.





Inauguration of 'Bank @ Technopark' account opening fest at Thejaswini Building near our Customer Self Service Centre at Technopark, Trivandrum by Shri C P Sasidharan (Former DGM & Zonal Head) in the presence of Shri Mohan K (AGM & RH), Shri George T M (AGM), Smt Anne Jacob (AGM) and others.



The Rotary Leadership award- 2014- Ensemble 2014- Our MD & CEO Shri Shyam Srinivasan receives "The Rotary Leadership award- 2014" at the conference of Rotary district 3201 held at Le Meridian, Kochi.





Our Bank has been honoured with the prestigious Golden Peacock Award for HR Excellence for the year 2013. Rt. Hon. Baroness Verma, Parliamentary Under Secretary of State for Energy & Climate Change, Government of United Kingdom presented the Award to Shri Satheesh PK (DGM Employee Relations and Operations) in the presence of Mr Milind Kangle (Group CEO, Lycamobile, UK), Lt Gen J. S. Ahluwalia (PVSM (Retd) President, Institute of Directors) and others.



Federal Bank has won ACI Excellence Award 2013 for Product Innovation for our Retail Asset product – Apna Gold 24\*7. Shri Babu K A (DGM, RBD) received the award from Shri Paul Heneghan, Managing Director, Asia Pacific and Japan at ACI Exchange 2013 Asia Pacific International Conference held at Singapore.





**Launch of Federal Digest**



Federal Bank- Official Banker for One Day International Cricket match (India Vs West Indies), Kochi 2013, Shri James P V (Former DGM & Zonal Head, Ernakulam) exchanges MOU with Shri T N Ananthanarayanan (Secretary, Kerala Cricket Association) in the presence of Shri Varghese K I ( GM, & Head Network 1), Shri Surendran A, (GM, RBD & IBD), Shri Nandakumar V (AGM & RH, Ernakulam), Shri Anand Chugh (AGM & Head Marketing Department), and others.





Federal Bank won the Banking Frontier's Finnoviti 2013 Award for its innovation Virtual Accounting System (VAS). Shri Abraham Chacko, Executive Director and Shri .Sunny K P, ADGM and Head-IT and Operations receiving the award at a function held at Mumbai.



Productivity award





68th Founder's day celebrations- A Federal Bank CSR Initiative- On our Founder's day, our MD & CEO Shri Shyam Srinivasan handed over a cheque amounting Rs 20 lakh to SR Rosina (Headmistress, St Francis GHS Aluva) being our Banks contribution for the reconstruction of St Francis Higher Secondary School for Girls, Aluva, in the presence of Shri Raju Hormis (Head, CSR), Shri Anwar Sadath (MLA) and others.



"Federal bank Alpha Palliative Care Walkathon"- Our MD & CEO Shri Shyam Srinivasan lighting the torch and handing over to Olympian M D Valsamma in the presence of Justice A Hariprasad (High Court of Kerala), Shri K M Noordeen (Chairman, Alpha Pain Clinic), Shri James P V (Former DGM & ZH Ernakulum) and others.



**FEDERAL BANK**  
YOUR PERFECT BANKING PARTNER

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CIN: L65191KL1931PLC000368