



FEDERAL BANK

YOUR PERFECT BANKING PARTNER

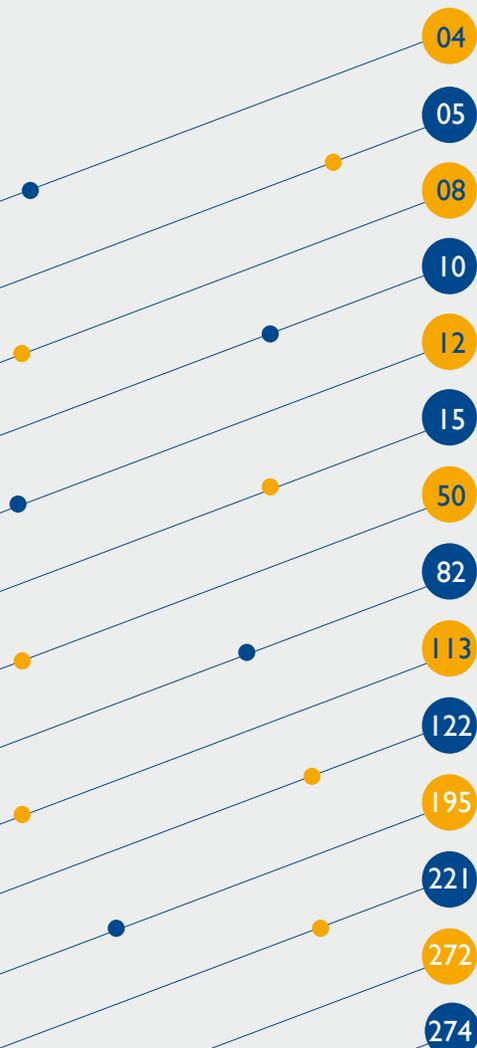
ANNUAL REPORT 2019-2020

The drive continues...
The drive to be the
'FIRST CHOICE' Bank

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 for 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.

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The **FIRST CHOICE**, in more ways than one!

At Federal Bank, all our thoughts and actions are directed towards achieving this objective; to emerge as the **FIRST CHOICE** of customers, associates and job-seekers, corporate entities and technology partners. In short, to become the go-to brand for all stakeholders in our realm of business. So, we are redoubling our efforts in product innovation, customer care and are re-orienting our strategies accordingly. This year's Annual Report cover captures our collective quest to emerge as the **FIRST CHOICE**.



About the Bank

The history of Federal Bank dates back to the pre-independence era. The Bank was incorporated on April 23, 1931 as the Travancore Federal Bank Limited, Nedumpuram under the Travancore Companies Regulation, 1916. Late K.P. Hormis, the visionary banker and founder took up the reigns in 1945 and built the Bank a nationwide institution. The Bank's name was changed to The Federal Bank Limited on December 02, 1949. The Bank was licensed under the Banking Regulation Act, 1949, on July 11, 1959 and became a scheduled commercial bank under the Second Schedule of Reserve Bank of India Act, 1934 on July 20, 1970. Today, the Bank is present in 24 States, Delhi NCT and 4 Union Territories and the Bank is listed in BSE Limited, National Stock Exchange of India Limited and London Stock Exchange.

Our Vision

To be **the 'Most Admired Bank' which is Digitally enabled with a sharp focus on Micro, Medium and Middle market enterprises.**

Our Mission

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

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 time, guided by our principle of being 'Digital at the fore, human at the core'.

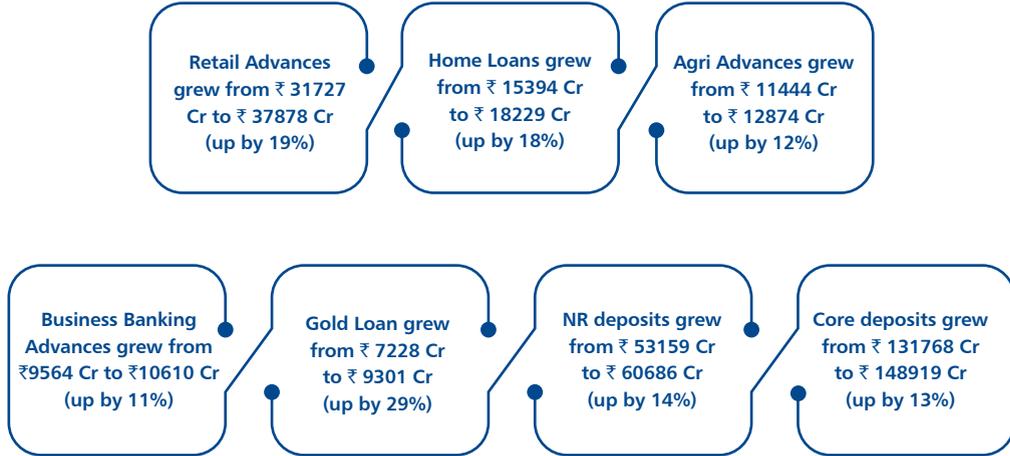
Shareholders: To achieve consistent growth in shareholder value.

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

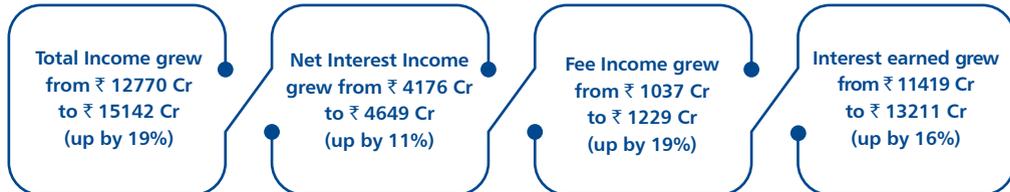


PERFORMANCE DASHBOARD

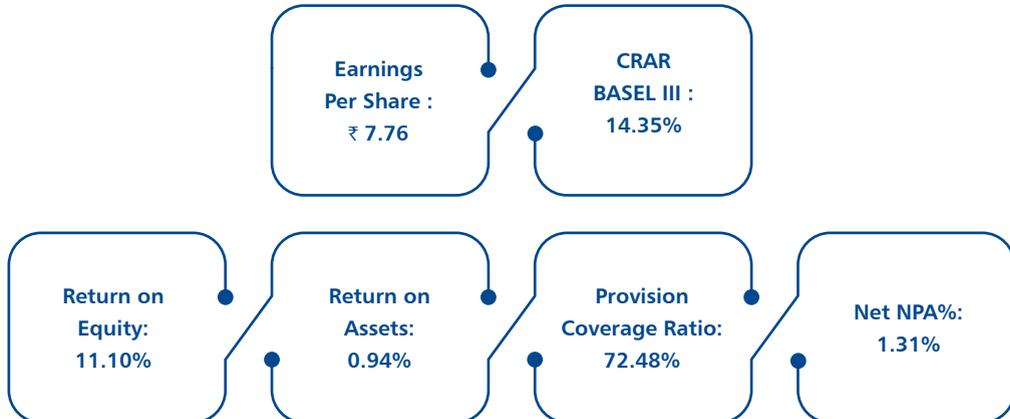
VOLUME GROWTH



INCOME GROWTH

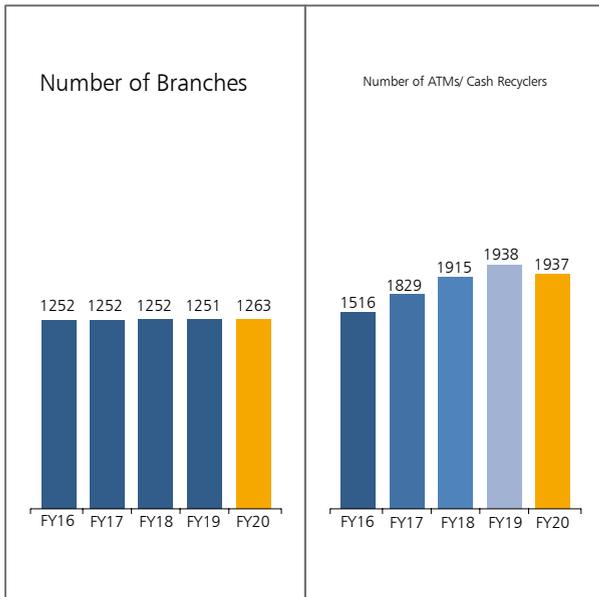


KEY RATIOS

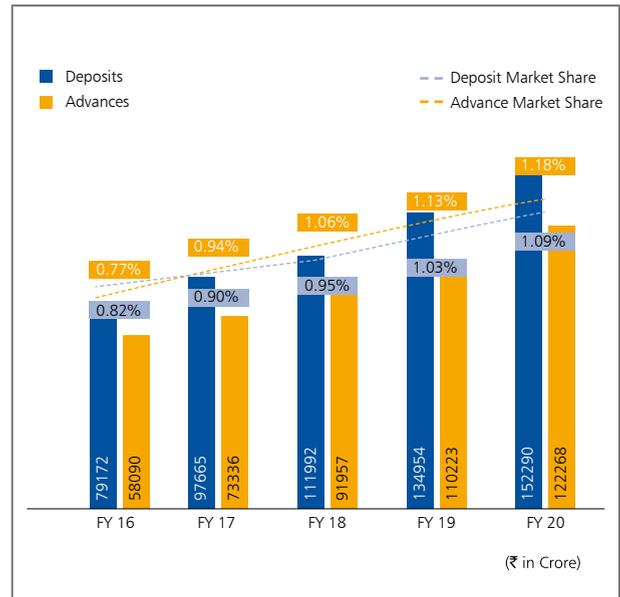


Performance Dashboard

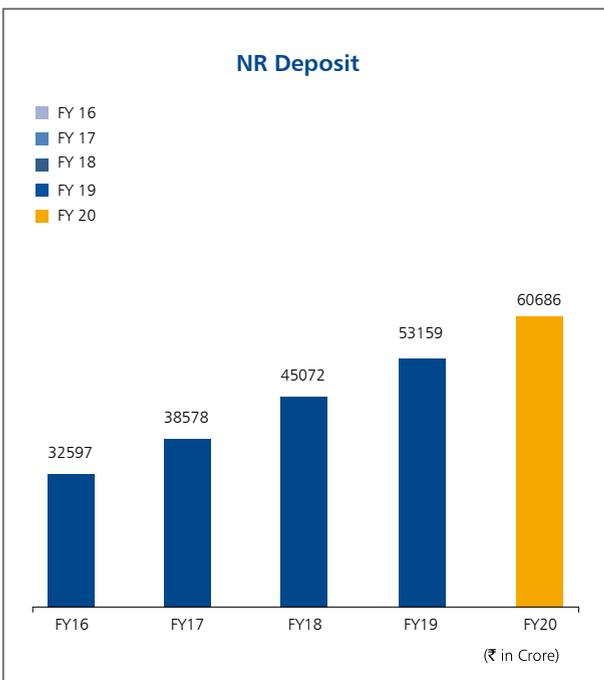
Footprint Coverage



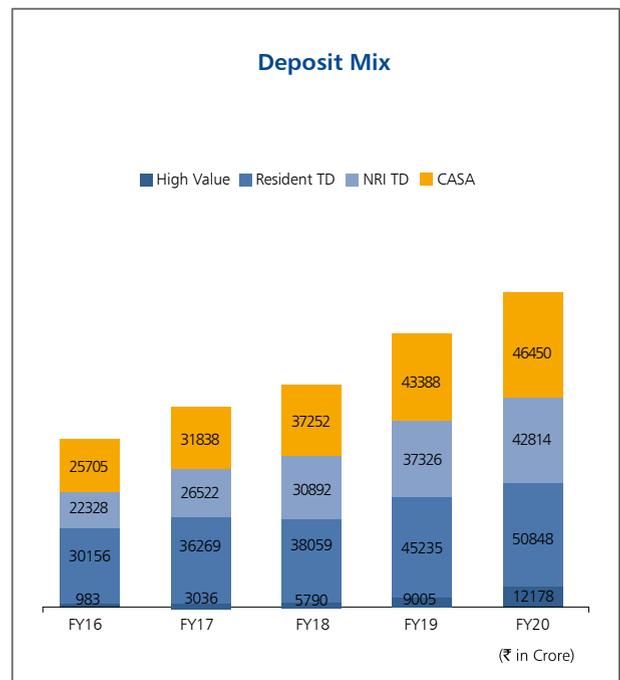
Business



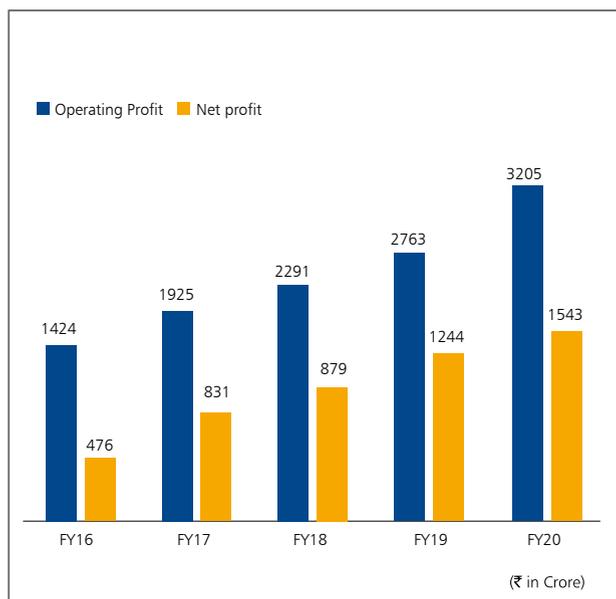
NR Deposit



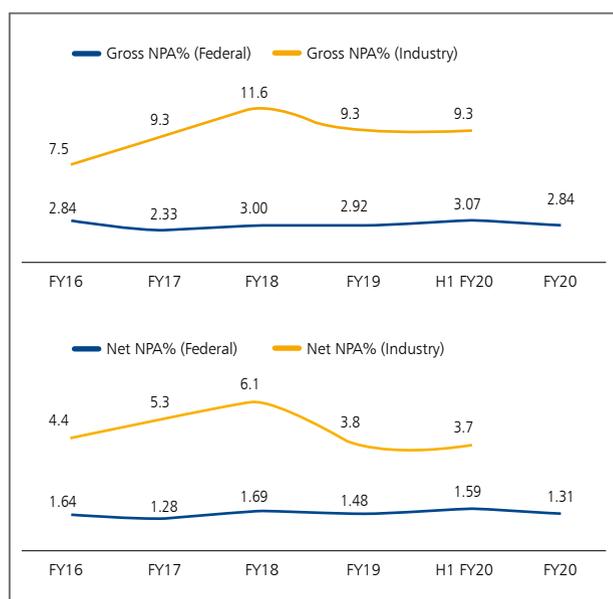
Deposit Mix



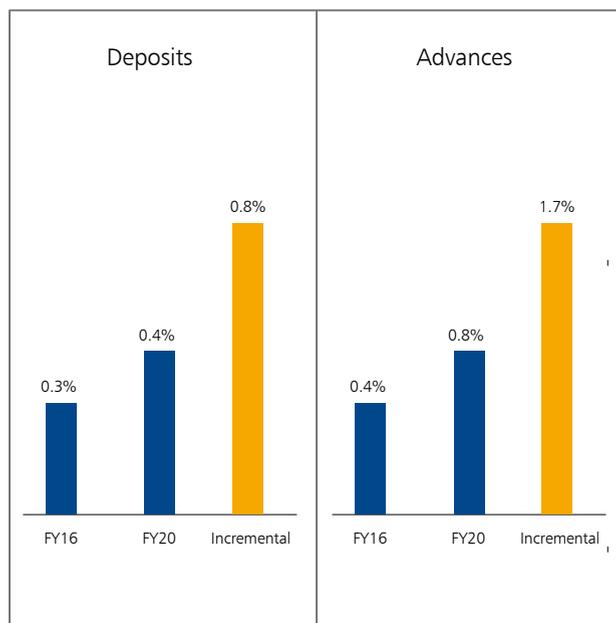
Profitability



Asset Quality

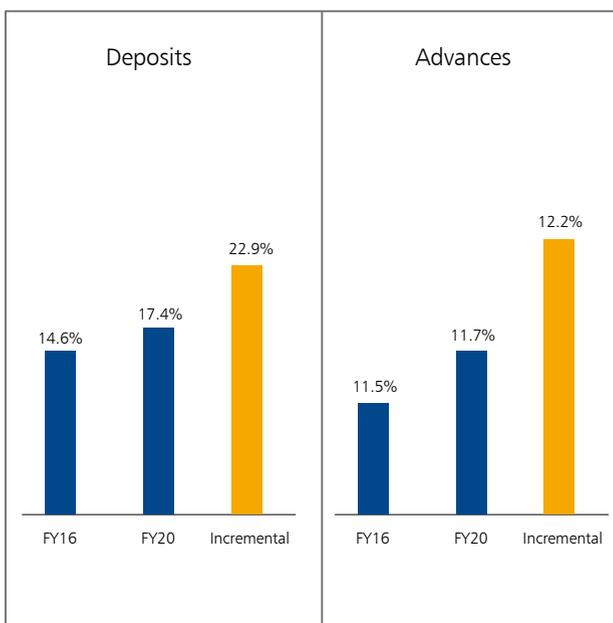


Presence to Prominence Network 2* Market Share



* Network 2: Rest of India

Prominence to Dominance Network 1# Market Share



* Network 1: Home Market-Kerala

We are emerging from unprecedented crisis. Across the globe and in India, we are learning to work through the challenges of the New Normal of the pandemic, bringing out some of the best and most enduring values of resilience, cooperation and creativity, even as the shop floors of corporate giants repurpose to respond to the needs of survival .

Globally, in FY 2020 apart from the havoc caused by the Covid -19 outbreak in the last quarter of the financial year, an array of geographical and political factors led to a dismal economic growth of 2.9%, the weakest since the 2008-09 crisis. The threat of an imminent recession, ongoing trade tensions between the US and China and a delayed Brexit, were among the factors that further spurred overall negative global growth outlook. In India, although the Covid crisis began to impact economic activity only from the last fortnight of Financial Year, the economy was already showing signs of a slowdown.

As we all know the pandemic did not spare the financial services sector, even as the regulators moved swiftly to secure the system. However, each institution had to respond with exceptional measures to continue to provide continuity of services to customers while ensuring the health and safety of the staff and the security of its systems. In the face of unprecedented challenges, your Bank acted with a clear focus to conserve, preserve and innovate to ride out the waves of the ongoing crisis believing that we would emerge stronger at the other end.

We are already beginning to see the appearance of green shoots in the economy. The 'Atmanirbhar Bharat Abhiyan' stimulus package is expected to be the key driver of revival and structural reforms going forward. The package, with its credit booster to MSMEs, liquidity support to NBFCs, HFCs and MFIs, focus on social and rural segment, reforms in the power sector to strengthen the economy. These measures have certainly improved the outlook for the banking industry.

Despite the diverse challenges, both in India and in global markets your Bank remains resilient and has delivered a robust financial and operating performance, with significant growth across parameters. I am delighted to share some of the highlights of our performance for FY 2020.

The operating rhythm of the Bank remained strong and the Bank registered its highest ever Operating Profit and Net Profit, registering a growth of 16% and 24% respectively.

MESSAGE FROM THE CHAIRPERSON

Ms. Grace Elizabeth Koshie



The Bank crossed another milestone with total business crossing ₹ 2.5 Lakh Cr to reach ₹ 274558 Cr with a growth of 12%. We continued to gain share in the Market, with the Market Share in credit improving by 5 bps to 1.18% and Market Share in deposits better by 6 bps to reach 1.09%, as on end of FY 2020. Total income grew by 18.58% from ₹ 12770.05 Cr to ₹ 15142.16 Cr. The Bank also registered impressive results on other key parameters such as Net Interest Income, EPS, including qualitative metrics. The Bank continues to be well-capitalized with a comfortable CRAR position of 14.35% as on 31 March 2020.

These encouraging numbers reflecting all-round balanced growth are the outcome of deliberate strategic efforts of a highly committed Federal Team who pursued the path of excellence, notwithstanding challenges. Over the last decade, the Bank, under the seasoned and astute CEO, Mr. Shyam Srinivasan, leading a well-blended team of both experience and energetic talent, is being increasingly repositioned as a prominent national banking player with innovation as key driver.

FIRST CHOICE

As your Bank climbs the value chain, our benchmarks are reset under and a new leitmotif: FIRST CHOICE - the theme of the cover page of the Annual Report this year. FIRST CHOICE is our clarion call to ramp up performance and make Federal Bank the 'go-to' brand for everyone. It is an exhortation to up the game at all levels and become the most dependable ally for all our stakeholders with best-in-class products, superior customer care, unceasing innovation and creation of enduring value. I am sure that the mantra of FIRST CHOICE will resonate far and wide and will galvanize Federals to give their very best.

As the Bank takes strides to be the bank of FIRST CHOICE in the country, the foundation to the quality of growth lies in the strong governance culture that we have carefully built up over the years. The Board of Directors stands together in implementing the highest standards of Corporate Governance supported by well-established accountability processes for self-assessment and ongoing improvements. The Corporate Governance practices of the Bank with a track record of ethical conduct and transparent practices will, I am sure offer the much needed reassurance to stakeholders in these turbulent times.

The members of the Board of your Bank represent some of best of expertise in their respective fields. In the last Financial Year, the Board

of the Bank was strengthened with the addition of Mr. Siddhartha Sengupta (former Dy. MD of International Banking Group, SBI), CA Manoj Fadnis (past President of ICAI), Ms. Shalini Warriar (Chief Operating Officer of the Bank) and Mr. Sudarshan Sen (former Executive Director- RBI).

I take this opportunity to place on record the valuable contribution of Mr. Dilip Sadarangani, the former Chairman and Independent Director, for his immense contribution to governance and the overall growth of the Bank, as also for his foresight and wisdom. He laid down the Chairmanship of the Bank on attaining the age of retirement. I also take this opportunity to place on record the valuable contribution of Mr. Nilesh Vikamsey, the past Chairman and Independent Director, for his astute interventions in the functioning of the Board and Committees and overall contribution to the growth of the Bank. We take this opportunity to wish both many happy and fulfilling years ahead.

The collective experience and wisdom of my colleagues on the Board will, I am sure stand the Bank in good stead in our journey ahead through these unpredictable and unprecedented times. The structural soundness of the franchise along with its strong digital orientation are key in making the Bank, future ready. This edge will keep Federal Bank a reliable FIRST CHOICE for its customers, an exciting workplace for its employees, and a partner in progress for society at large, while delivering significant returns to the shareholders. I am confident that in spite of the pandemic led bleak outlook the Bank will not settle for less, but rise to be the FIRST CHOICE of its stakeholders. This includes our hurting communities across the country and the Bank continues to make tangible and lasting impact across a number of areas through a variety of CSR initiatives reflecting its strong values as a Corporate Citizen.

In closing, on behalf of my colleagues on the Board of Directors of the Bank, I would like to thank each member of the Federal Team for their hard work and commitment that has helped us to be the Bank we are today. Thank you to our valued customers and shareholders for the continuing faith in your Bank. We look forward to continuing this journey with you to take the Bank to greater heights.

With best wishes,

Grace Elizabeth Koshie

Dear Shareholders,

I am pleased to share our Annual Report for the Financial Year 2020. Let me begin by thanking all of you for the confidence bestowed on us, which has helped us to deliver a strong Financial Year despite a challenging environment.

You may recall, in my message in the Annual Report of 2016, I referred to the *Perfect Storm* that challenged businesses and how (then) we beat the odds and emerged stronger. But, now that *Perfect Storm* seems to have gathered further strength and turned into a *Tsunami Plus*, with undimensioned and profound impact over our lives and businesses. The global catastrophe caused due to the outbreak of Covid-19 has changed our collective calculus of uncertainty and has left Nations, Economies and Industries, grappling to shift to a new World Order!

Closer home, in India, the pandemic has led to an intertwined quandary with the overlap of an economic setback over a health crisis. Unfortunately this pandemic has occurred in the midst of the nation's pursuit of becoming a US\$ 5 trillion economy. Nevertheless, while we are still fighting the microbe, the turmoil has encouraged our Government to change its economic vision around 'Self-Reliance', through a smorgasbord of controls and reforms.

Not surprisingly, the last fiscal was an extremely challenging period for Banks in India. Though Covid-19 appeared around the fag end of the FY, the industry faced several other materially impactful events, be it the announcement of PSB mergers, the unpleasant crisis around NBFCs, the fall and resurrection of a Private Bank or some of the concerns around governance practices in certain institutions. During these volatile times, your Bank worked hard, to be an *Island of Calm*, relatively insulated from the odds and delivering a strong financial performance. The resilience and strength built on the back of strong fundamentals, contributed to the robust operating momentum across many of the key metrics.

Last year, I spoke to you about our journey from 'Presence to Prominence' in chosen geographies and 'Prominence to Dominance' in our home market. We have seen consistent gains and recorded a healthy increase in Market Share across key geographies and segments (Refer chart on page 7) and our visibility among the top quartile Banks, both in terms of business and governance has amplified in the last Financial Year. You may have noted that our efforts were recognized with us receiving international mention by Forbes, a leading business publication, who listed us among the **Top 200 companies in the Asia Pacific** with a topline of above a billion dollars.

We owe this recognition to our ever-expanding customer base which is the bedrock of support for all our endeavors. With share gain in both Market Share and Mind Share, we are now Bankers to over **1 Crore Indians!** The testimony to having a granular customer base is our strong Liability Franchise, with Retail Deposits constituting over 90 per cent of the Total Deposits. Several client engagement initiatives and the enhanced digital footprint were key in leveraging this inherent strength to remain well-positioned in comparison to our competition.

While we continue to **strengthen our fundamentals and leverage the attributes built through balanced growth efforts**, we are acutely aware of the extraordinary times that calls for an extraordinary operating plan.



MESSAGE FROM THE

MANAGING DIRECTOR & CEO

Mr. Shyam Srinivasan



As I mentioned, we will seek to remain the *Island of Calm*, resilient and strong, but, looking ahead, we are building on a theme, to be the **FIRST CHOICE** for all our stakeholders. Before I expand on our aspiration, let me share some of the highlights from the last Financial Year:

- Notwithstanding an environment that had significant headwinds, our Bank posted **highest-ever profit numbers** and the Operating Profit for the full year grew 16% and was recorded at ₹3205 Cr for the Financial Year'20. Net Profit recorded for the year, was ₹1543 Cr, growing 24% y-o-y. This, in spite of a material increase in credit provisions made to strengthen the Balance Sheet. While the NIM stood at 3.05%, the Bank clocked **the highest-ever Net Interest Income, at ₹4649 Cr**, improving by 11% Y-o-Y.
- We remain well-capitalized with the Capital Adequacy Ratio at 14.35%, as on 31 March 2020. It is also noteworthy that the **Average Liquidity Coverage Ratio at 185%**, is one of the highest among Private Sectors Banks in India.
- Total Deposits grew at 13% y-o-y while the CASA Ratio stood at 30.50%. As with the liability business, the growth of the core asset franchise was broad-based across segments and the overall advances recorded a robust annual growth of 11% for the full year.
- About new business initiatives, CV/CE (Commercial Vehicles/ Construction Equipments) business vertical that was launched in FY 2019 in two selected states has now expanded to cover the entire Southern and Western Markets and we could double the book size in comparison to previous year. Government Business grew 54% y-o-y and the engagement with the Central and various State Governments got further enhanced through a slew of measures, including opening of the PM-CARES account. Our foray into Wealth Management Business, with the investment in Equirus Wealth, showed marked progress and this arm reached a gross AUM of over ₹800 Cr, as on 31st March 2020, serving over 25+ AMCs and 7 PMS fund houses.
- Guided by the philosophy of **Digital at the Fore, Human at the Core**, our Bank continued to focus on empowering customers with a panoply of digital products and recorded steady growth in Digital Banking volume with 83% of the total transactions carried out digitally. We launched '**Insta-Demat**', the Do-It-Yourself Demat account opening solution, enabling a customer to open a Demat Account in 60 seconds! Also, in FY 2020, we launched '**Fed-e-Studio**', the fully automated Smart Branch in Kolkata marking the beginning of a new format for banking touch points. With several upcoming launches including the improved Mobile Banking application, we are committed to lead on the digital frontier.



- The Bank's role in being a socially responsible corporate citizen, is well recognized than ever before. The outbreak of Covid-19 made us recast our CSR thought process and we decided to up the ante in being an active partner in support of the needy through partnerships with Government and several other agencies. We were among the few Banks in India, who launched **Mobile ATMs**, across various parts of the country, to ensure ease of banking at customers' doorsteps. The '**Speak for India**' initiative of the Bank is now covering seven states with the addition of West Bengal and Gujarat and last year saw an enthusiastic participation from over two lakh youngsters.



Way Ahead: FIRST CHOICE

Our Bank has always been respected as a thought leader in customer-centric approach backed by relevant innovation. While we continue to be deeply rooted in our fundamentals, we realize it is time to dream BIG. We call it, **FIRST CHOICE!**

If the last decade saw us emerge from a regional player to a Bank of relevance across India, now we are determined to build ourselves to a Bank that's **FIRST CHOICE**. It is not just being the best in customer service and having the right set of products and processes; but being able to distinguish ourselves in everything that we are and do, be it products, processes, design, people and value creation. We are mindful that being **FIRST CHOICE** is a tall ask. This is a pursuit of excellence and there would be no finish line until we become the **Most Admired Bank, Digitally Enabled and Serving the Micro, Small and Medium establishments in the country!**

Towards this, in FY 21, we are focused on making Banking - **Simple, Digital and Contactless!** Be it our branch or online experience, we have challenged ourselves to ensure that our customers get a superior and safe user interface, that's well-differentiated and relevant for the current scenario.

Before I close, I take this opportunity to thank all our eminent Board Members for giving us continued guidance, support, confidence and constructive challenges always. Their professional insights and encouragement have guided us through all our endeavors, and I am sure this will take us to a higher order of performance in the coming years as well.

Let me close by extending thanks to all our stakeholders for your continued support and patronage. I remain, '**Proud to be a Federal**'.

Best Wishes
Shyam Srinivasan

BOARD OF DIRECTORS

Mr. A. P. HOTA
(Independent Director)

Mr. ASHUTOSH
KHAJURIA
(Executive Director)

Mr. C. BALAGOPAL
(Independent Director)

Mr. BALAKRISHNAN
KRISHNAMURTHY
(Independent Director)

Ms. GRACE KOSHIE
(Chairperson)

Mr. SHYAM SRINIVASAN
(Managing Director & CEO)

Mr. SIDDHARTHA
SENGUPTA
(Independent Director)

Ms. SHUBHALAKSHMI
PANSE
(Independent Director)

Mr. SUDARSHAN SEN
(Independent Director)

CA MANOJ FADNIS
(Independent Director)

Ms. SHALINI WARRIER
(Executive Director)

FEDERAL BANK

YOUR PERFECT BANKING PARTNER

MANAGEMENT TEAM



Shyam Srinivasan



Ashutosh Khajuria



Shalini Warriar



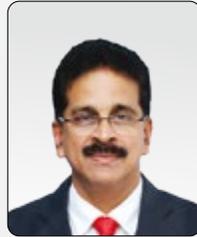
Harsh Dugar



Jose K Mathew



Ajith Kumar K K



Varghese T A



Johnson K Jose



Nandagopalan G



Krishnakumar K



Wilson Cyriac



Srinivasan K



Babu K A



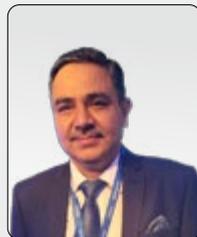
Divakar Dixit



Nilufer Mullanfiroze



Sanjesh Kumar



Kapil Bhatia



Nandakumar V



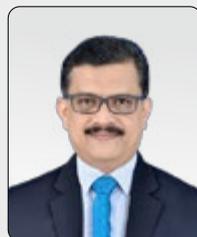
Anil Kumar V V



Pitchai Mahalingam



Sunil Kumar K N



Tomy John



Samir Pravinbhai Rajdev



Anand Chugh

DIGITAL FIRST



A forerunner in digital banking, Federal Bank continues to lead from the front with innovative and pioneering digital products and services. The Covid induced lockdown of 2020 has considerably accelerated the pace of digital conversion and now we are relying more on digital platforms to push customer engagement. From FedMobile to Fed-e-Biz, from Contactless Cards to Digital Loans, the Bank now offers a wide range of cutting edge digital products and services, enabling 'remote banking' to its retail, SME and corporate customers.

Directors' Report

Your Directors have pleasure in presenting the 89th Annual Report on the business and operations of the Bank, together with the audited accounts for the financial year ended March 31, 2020.

Financial Results

(₹ in Crore)

Financial Parameters for the year ended	March 31, 2020	March 31, 2019
Net Interest Income	4,648.90	4,176.35
Fee and Other Income	1,931.41	1,351.02
Net Revenue	6,580.31	5,527.37
Operating Expense	3,375.61	2,764.27
Operating Profit	3,204.70	2,763.10
Net Profit	1,542.78	1,243.89
Profit brought forward	2,174.29	1,742.49
Total Profit Available for appropriation	3,717.07	2,986.38
Appropriations:		
Transfer to Revenue Reserves	147.46	143.93
Transfer to Statutory Reserves	385.70	310.97
Transfer to Capital Reserves	135.83	34.48
Transfer to Special Reserve	96.00	84.00
Dividend pertaining to previous year paid during the year	278.22	198.01
Tax on dividend	57.19	40.70
Balance Carried over to Balance Sheet	2,616.67	2,174.29
Financial Position (as on)		
Deposits	152,290.08	134,954.34
Advances	122,267.91	110,222.95
Total Business (Deposits + Advances)	274,557.99	245,177.29
Other Borrowings	10,372.43	7,781.32
Investments	35,892.68	31,824.47
Total Assets (Balance Sheet Size)	180,638.05	159,339.99
Equity Capital	398.53	397.01
Ratios		
Return on Total Assets (%)	0.94	0.88
Return on Equity (%)	11.10	9.81
Earnings Per Share (₹)	7.76	6.28
Book value per share (₹)	72.86	66.87
Operating cost to Income (%)	51.30	50.01
Capital Adequacy Ratio (%) Basel (III)	14.35	14.14

Note:

Previous year figures have been regrouped / reclassified, where necessary to conform to current year's classification

Highlights of Performance

During the year 2019-20, your Bank has delivered robust growth in all the business segments. Total business of your Bank improved by 11.98% to reach at ₹274557.99 Crores as on March 31, 2020. 12.85% growth in deposits and 10.93% growth in advances (net)

helped your Bank to clock this number. Total deposits reached ₹152290.08 Crores and advances (net) reached ₹122267.91 Crores and on averages, deposit portfolio of your Bank grew by 17.93% to reach ₹137688.94 Crores and advance portfolio grew by 16.02% to reach ₹114095.06 Crores.

On the NR side, NRE deposits had a growth rate of 14.20% to reach ₹57223.13 Crores and NRE Savings clocked a growth of 12.89% to reach ₹15437.89 Crores. The total NR business of your Bank stood at ₹ 60685.78 Crores with a growth of 14.16%.

Growth in Business

On CASA front, Savings deposit touched ₹39195.44 Crores with 10.44% growth and Current deposits stood at ₹7254.80 Crores. Your Bank registered a healthy CASA growth of 7.06% to reach ₹46450.24 Crores. CASA ratio of your Bank stood at 30.50%.

The investment portfolio of your Bank has reached ₹35892.68 Crores as on March 31, 2020. The average investment as on March 31, 2020 is ₹32617.58 Crores.

Profitability

The Operating Profit of your Bank increased by 15.98% to ₹3204.70 Crores and Net Profit of your Bank is up by 24.03% to ₹1542.78 Crores. Healthy traction in core income streams has helped your Bank to have a good momentum in core operating performance. Net Interest Income improved by 11.31% to ₹4648.90 Crores while the Non-Interest Income rose to ₹1931.41 Crores, showing a rise of 42.96%.

Total income of your Bank during the fiscal year 2020 recorded 18.58% growth to reach ₹15142.16 Crores. Income from advances increased by 17.40% to reach ₹10670.87 Crores. The yield on advances stood at 9.35% and the yield on Investments (excluding trading gain) at 6.70%. The Net Interest Margin for the fiscal year is at 3.05% as against 3.14%, in the previous year.

Return on Average Equity and Return on Average Total Assets stood at 11.10% and 0.94% respectively. Earnings per Share (face value of ₹2 each) of the Bank, as on March 31, 2020 were ₹7.76. Book value per share had increased to ₹72.86 during FY 20.

Expenditure

The total expenses of your Bank increased by 19.29%, to reach at ₹11937.47 Crores and by an increase of 18.21%, interest expenses increased to ₹8561.85 Crores in FY 20. Operating Expenses of the Bank during the fiscal year grew to ₹3375.61 Crores.

The cost of deposits of the Bank increased to 5.88% as on March 31, 2020. The Interest expenses as percentage to total income stood at 56.54%.

Spread

During the fiscal year, the Bank's spread on advances (gross) stood at 3.47% and spread on investments (gross) increased to 2.68%. The Spread (net of provisions) on advance stood at 2.59%.

Asset Quality

The Gross NPA of your Bank as on March 31, 2020 stood at ₹3530.83 Crores. Gross NPA as a percentage to Gross Advances is 2.84% which is lower than 2.92% as at the end of FY19. The Net NPA

stood at ₹1607.17 Crores and this as a percentage to Net Advances is 1.31%. The Provision Coverage Ratio (including technical write-offs) stood at 72.48%.

Net Worth & Capital Adequacy

The Net Worth of your Bank grew by 9.38% to ₹14517.61 Crores as against ₹13273.04 Crores in the previous year. Historically, your Bank has been strong on capital adequacy. CRAR of the Bank calculated in line with Basel III norms stood at 14.35% which is considerably higher than the 10.875% (Including CCB) stipulated by RBI. Of this, Tier 1 CRAR is at 13.29%.

Business Overview

Your Bank continued its consistent performance during FY 2019-20 with the total business of the Bank increasing by 11.98% to ₹274557.99 Crores.

There is no change in the nature of business of the Bank for the year under review. Further information on the business overview and outlook and state of the affairs of the Bank is discussed in detail in the Management Discussion & Analysis Report.

Employee Productivity

Business per employee of your Bank during the period stood at ₹22.21 Crores, an improvement of 10.22% for the year and the profit per employee of the Bank stood at ₹12.48 Lakh during the fiscal.

Expansion of Network

The Bank has 1263 branches and 1937 ATMs/Recyclers as on March 31, 2020. The Bank also has its Representative Office at Abu Dhabi & Dubai and an IFSC Banking Unit (IBU) in Gujarat International Finance Tec-City (GIFT City).

Share Value

Earnings Per Share (face value ₹2/- each) of your Bank has improved to ₹7.76 from ₹6.28 during the year under review. Return on Equity during the year reached 11.10% in the fiscal year ended March 31, 2020.

Appropriations

(₹ in Thousands)

	FY 2019-20	FY 2018-19
Transfer to Revenue Reserve	1,474,611	1,439,300
Transfer to Statutory Reserve	3,856,953	3,109,700
Transfer to Capital Reserve	1,358,289	344,800
Transfer to Special Reserve	960,000	840,000
Dividend pertaining to previous year paid during the year	2,782,229	1,980,092
Tax on dividend	571,895	407,014
Balance carried over to Balance Sheet	26,166,675	21,742,841
Total	37,170,652	29,863,747

Material Changes and Commitment Affecting Financial Position of the Bank

There are no material changes affecting the financial position of the Bank which have occurred between the end of the financial year of the Bank to which the financial statements relate and the date of the report.

Change in Capital Structure and Listing of Shares

The paid up share capital of the Bank as on March 31, 2020 is ₹3,98,53,29,144/- divided into 1,99,26,64,572 equity shares of ₹2/- each. The Bank's equity shares are listed on the National Stock Exchange of India Limited (NSE) and BSE Limited (BSE). During the year, 76,12,869 equity shares of ₹2/- each were allotted under ESOP scheme of the Bank and admitted for trading in NSE and BSE. Further, 1500 shares were allotted by way of release of rights abeyance shares.

Important changes which have occurred after the close of Financial Year

After the close of Financial Year, 6,95,150 equity shares of ₹2/- each were allotted under ESOP scheme of the Bank and have been admitted for trading on NSE and BSE. Accordingly, the paid up share capital of the Bank as on May 31, 2020 is ₹3,98,67,19,444 divided into 1,99,33,59,722 equity shares of ₹2/- each.

The shares are actively traded on NSE and BSE and have not been suspended from trading.

During the year under review, the Bank had allotted 1,000 rated, unsecured, redeemable, non-convertible, Basel III compliant lower tier II subordinated bonds aggregating to ₹300 crore on private placement basis.

Dividend

Reserve Bank of India vide its circular dated April 17, 2020, has directed that banks shall not make any further dividend payouts from profits pertaining to the financial year ended March 31, 2020 until further instructions, with a view that banks must conserve capital in an environment of heightened uncertainty caused by Covid-19 pandemic.

Employee Stock Option Scheme (ESOS)

The Bank has instituted Employee Stock Option Schemes, duly approved by the shareholders of the Bank to enable its employees including Whole Time Directors to participate in the future growth and financial success of the Bank. The Employee Stock Option Schemes are formulated in accordance with the SEBI guidelines, as amended from time to time. The eligibility and number of options to be granted to an employee is determined on the basis of various parameters such as scale, designation, performance, grades, period of service, Bank's performance and such other parameters as may be decided by the Nomination, Remuneration, Ethics and Compensation Committee of the Board from time to time in its sole discretion.

The Bank's shareholders had approved the Employee Stock Option Scheme 2010 (ESOS 2010) on December 24, 2010 and the Federal Bank Limited Employee Stock Option Scheme 2017 (ESOS 2017) on July 14, 2017.

Under ESOS 2010, the Nomination, Remuneration, Ethics and Compensation Committee granted 3,47,20,200 options during the year 2011-12, 2,44,84,750 options during the year 2012-13, 2,60,94,250 options during the year 2013-14, 1,11,56,450 options during 2014-15, 10,25,000 options during the year 2015-16, 9,65,000 options during the year 2016-17 and 1,00,000 options during the year 2017-18. The options granted which are non-transferable, with vesting period of 1 to 5 years subject to standard vesting conditions, must be exercised within five years from the date of vesting. As on March 31, 2020, 6,34,63,678 options had been exercised and 1,60,57,341 options were in force.

Under ESOS 2017, the Nomination, Remuneration, Ethics and Compensation Committee granted 2,23,18,348 options during the year 2017-18, 3,72,31,307 options during the year 2018-19 and 3,05,22,736 options during the year 2019-20. The options granted which are non-transferable, with vesting period of 1 to 4 years subject to standard vesting conditions, must be exercised within five years from the date of vesting. As on March 31, 2020, 4,91,692 options had been exercised and 7,72,27,910 options were in force.

Other statutory disclosures as required by the SEBI guidelines/ Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 on ESOS are given in website of the Bank in the link: <https://www.federalbank.co.in/web/guest/shareholder-information>.

Transfer to Investor Education and Protection Fund

Transfer of Unpaid/ Unclaimed Dividend

Pursuant to the provisions of Section 124(5) of the Act, the dividend which remained unclaimed/unpaid for a period of seven years from the date of transfer to unpaid dividend account is required to be transferred to the Investor Education and Protection Fund (IEPF) established by the Central Government.

As a result, the unclaimed/unpaid dividend for the year 2011-12 amounting to ₹93,42,315/- which remained unpaid and unclaimed for a period of 7 years has been already transferred by your Bank to the IEPF.

Your Bank has uploaded the details of unclaimed/ unpaid dividend for the financial year 2012-13 onwards on its website viz., www.federalbank.co.in and on website of the Ministry of Corporate Affairs viz., www.iepf.gov.in and the same gets revised/updated from time to time pursuant to the provisions of IEPF (Uploading of Information Regarding Unpaid and Unclaimed Amount Lying with Companies) Rules, 2012.

Further, the unpaid dividend amount pertaining to the financial year 2012-13 will be transferred to IEPF during the Financial Year 2020-21.

Transfer of Equity Shares

Pursuant to the provisions of Section 124(6) of the Act and the Investor Education and Protection Fund (IEPF) Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 notified by the Ministry of Corporate Affairs on September 7, 2016 and subsequently amended vide notification dated February 28, 2017, all the equity shares of the Bank in respect of which dividend amounts have not been paid or claimed by the shareholders for seven consecutive years or more are required to be transferred to demat account of IEPF Authority. Upon transfer of such shares, all benefits (like dividend, bonus, split, consolidation etc.), if any, accruing on such shares shall also be credited to the Account of IEPF and the voting rights on such shares shall remain frozen till the rightful owner claims the shares. Shares which were transferred to the demat account of IEPF Authority can be claimed back by the shareholder by following the procedure prescribed under the aforesaid rules.

Accordingly, 3,00,131 equity shares of 121 members of your Bank were transferred to Demat Account of IEPF Authority on October 04, 2019. Your Bank had sent individual notice to all the aforesaid 121 members and has also published the notice in the leading English and Malayalam newspapers.

With the transfer of aforesaid shares into IEPF Authority, as at March 31, 2020, a total of 59,56,062 equity shares of the Bank were lying in the Demat A/c of the IEPF Authority.

The details of the nodal officer appointed by the Bank under the provisions of IEPF are disseminated in the website of the Bank viz., www.federalbank.co.in.

Directors

As on March 31, 2020, Bank's Board consists of 11 members. Besides the Chairperson, a Non-Executive Independent Woman Director, the Board comprises of seven Non-Executive Independent Directors and three Executive Directors including two Women Directors.

During the year, Mr. Shyam Srinivasan was re-appointed as Managing Director & Chief Executive Officer (MD & CEO) (DIN: 02274773) of the Bank for a period of one year w.e.f. September 23, 2019 till September 22, 2020 with the approval of Reserve Bank of India (RBI), Accordingly, approval of the shareholders for re-appointment of Mr. Shyam Srinivasan through ordinary resolution is being sought at the ensuing AGM of the Bank. In terms of the provisions of Section 152 of the Companies Act, 2013, Mr. Shyam Srinivasan, MD & CEO, being longest in office, shall retire at the ensuing Annual General Meeting (AGM) and being eligible, offers himself for re-appointment. The Board recommends his appointment.

Pursuant to the recommendation of the Nomination, Remuneration, Ethics and Compensation Committee ('NRC'), the Board of Directors of the Bank approved the proposal for appointment of Ms. Grace Koshie as Non-Executive Non Independent Director of the Bank with effect from July 17, 2020 till November 21, 2021 subject to the

approval of shareholders in ensuing AGM. Accordingly, approval of the shareholders to appoint Ms. Grace Koshie as a Non-Executive Non Independent Director of the Bank through ordinary resolution is being sought at the ensuing AGM of the Bank.

Ms. Grace Koshie was appointed as Part time Chairperson of the Bank with effect from November 07, 2019 till her current tenure as Director of Bank, with the approval of RBI. Accordingly, approval of the shareholders to take on record of appointment of Ms. Grace Koshie as Part time Chairperson of the Bank through ordinary resolution is being sought at the ensuing AGM of the Bank.

Pursuant to the recommendation of the NRC, the Board of Directors of the Bank approved the appointment of Mr. Sudarshan Sen (DIN: 03570051) as an Additional Director (Independent) of the Bank, with effect from February 11, 2020. Pursuant to the provisions of Section 161 of the Act, he continues to hold office as an Additional Director of the Bank, up to the date of the ensuing Annual General Meeting ('AGM') or the last date, on which the AGM should have been held, whichever is earlier. Your Bank has received a notice in writing from a member proposing the candidature of Mr. Sudarshan Sen as a Director (Non-Executive Independent) on the Board of the Bank. Further, the NRC and the Board of Directors of the Bank have also recommended his appointment as an Independent Director, not liable to retire by rotation, to the Shareholders at the ensuing AGM for a period of five years with effect from February 11, 2020.

During the year, Mr. Ashutosh Khajuria (DIN: 05154975) was re-appointed as Executive Director of the Bank designated as Executive Director and Chief Financial Officer for a period of one year with effect from January 28, 2020 to March 31, 2021 with the approval of Reserve Bank of India, Accordingly, approval of the shareholders for re-appointment of Mr. Ashutosh Khajuria through ordinary resolution is being sought at the ensuing AGM of the Bank.

Further, pursuant to the recommendation of the Nomination, Remuneration, Ethics and Compensation Committee ('NRC'), the Board of Directors of the Bank with the approval of Reserve Bank of India, appointed Ms. Shalini Warriar, Chief Operating Officer (DIN: 08257526) as an Additional Director of the Bank, with effect from January 15, 2020. Pursuant to the provisions of Section 161 of the Act, she continues to hold office as an Additional Director of the Bank, up to the date of the ensuing Annual General Meeting ('AGM') or the last date, on which the AGM should have been held, whichever is earlier. Your Bank has received a notice in writing from a member proposing the candidature of Ms. Shalini Warriar as a Director (Executive) on the Board of the Bank. Further, the NRC and the Board of Directors of the Bank have also recommended her appointment as an Executive Director to the Shareholders at the ensuing AGM for a period of three years with effect from January 15, 2020.

Mr. Siddhartha Sengupta (DIN: 08467648) and Mr. Manoj Fadnis (DIN: 01087055) were appointed as Additional Non- Executive Independent Directors on the Board of the Bank effective from June

13, 2019. The shareholders in the 88th Annual General Meeting held on July 25, 2019 approved the appointment of Mr. Siddhartha Sengupta and Mr. Manoj Fadnis as Independent Directors of the Bank for a period of five (5) years with effect from the date of their appointment by the Board. Further, the shareholders of the Bank at the 88th Annual General Meeting held on July 25, 2019 approved the appointment of, Mr. K Balakrishnan as Independent Director of the Bank for a period of three (3) years with effect from September 25, 2018 and Mr. C Balagopal, as Independent Director of the Bank with effect from August 11, 2019 for a period of five (5) years or till the date of his retirement whichever is earlier.

Mr. Dilip Sadarangani (DIN- 06610897), Part Time Chairman and Independent Director of the Bank, retired from the Directorship of the Bank effective from September 08, 2019, upon completion of 70 years of age, in accordance with the regulatory requirements of RBI. CA Nilesh S Vikamsey (DIN- 00031213), Independent Director, retired from the Bank effective from June 24, 2019, upon completing his eight-year term as a Director on the Board of the Bank, in accordance with the regulatory requirements of RBI.

Necessary information pursuant to SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, in respect of directors to be appointed and re-appointed at the ensuing Annual General Meeting are given in the Annexure to the Notice convening the Annual General Meeting scheduled to be held on July 16, 2020.

None of the Directors of your Bank are disqualified for being appointed as directors, as specified in Section 164(2) and Rule 14(1) of Companies (Appointment and Qualification of Directors) Rules, 2014.

Key Management Personnel

During the year, the following directors/executives continued as Key Managerial Personnel of the Bank:

Mr. Shyam Srinivasan – Managing Director & Chief Executive Officer

Mr. Ashutosh Khajuria – Whole-time Director & Chief Financial Officer

Ms. Shalini Warriar – Executive Director & Chief Operating Officer

Mr. Samir P Rajdev – Company Secretary & Vice President

In view of retirement of Mr. Girish Kumar Ganapathy as the Company Secretary and Compliance Officer of the Bank w.e.f. November 30, 2019, the Board at its meeting held on November 16, 2019 appointed Mr. Samir P Rajdev (ACS No. 17849) as the Company Secretary and Compliance Officer of the Bank w.e.f. December 01, 2019, upon due recommendations of the NRC.

Declaration by Independent Directors

The Bank has received declaration from all the Independent Directors that they continue to meet the criteria of independence as provided under the Companies Act, 2013 (the Act) and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and comply with the Code for Independent Directors as specified under Schedule IV of the Act.

The Directors have also confirmed that they are not aware of any circumstance or situation, which exists or may be reasonably anticipated, that could impair or impact their ability to discharge their duties with an objective independent judgement and without any external influence.

In the opinion of the Board, the Independent Directors possess the requisite expertise and experience and are the persons of high integrity and repute. They fulfill the conditions specified in the Act and the Rules made thereunder and are independent of the Management.

Meetings

The Board meets at regular intervals to discuss and decide on Bank/ business policy and strategy apart from other items of business. The Board exhibits strong operational oversight with regular presentations by business heads to the Board. The Board and Committee meetings are prescheduled and a tentative annual calendar of Board and Committee Meetings is circulated to the directors well in advance to help them plan their schedule and to ensure meaningful participation at the meetings.

During the year under review fourteen (14) Board Meetings and nine (9) Audit Committee Meetings and other Committee Meetings were convened and held, the details of which are given in the Corporate Governance report. The intervening gap between the meetings was within the period prescribed under the Companies Act, 2013.

The details of the constitution of the Board and its Committees are given in the Corporate Governance report.

Subsidiaries of the Bank

As on March 31, 2020, the Bank has one unlisted wholly owned subsidiary, M/s. Federal Operations and Services Limited and one unlisted subsidiary named M/s. Fedbank Financial Services Limited.

Federal Operations and Services Limited

Federal Operations and Services Limited (FedServ) is a wholly owned Subsidiary Company of The Federal Bank Limited (the Bank) incorporated on October 26, 2018. FedServ received approval from RBI on November 09, 2018 for commencing its operations. FedServ started its operations w.e.f. December 01, 2018. FedServ provides operational and technology oriented services to the Bank.

FedServ's Board of Directors is comprises of following four members-

1. Mr. Balagopal C, Chairman
2. Ms. Shalini Warriar, Director
3. Mr. Ajith Kumar K K, Director
4. Mr. Johnson K Jose, Whole-time Director

During the year ended on March 31, 2020, FedServ has taken significant operational activities of the Bank which includes CASA Opening, Account Maintenance, Trade Finance, Payment & Settlement and ATMs & Branch Monitoring. FedServ is carrying

out 78 operational activities of the Bank as on March 31, 2020. Company do not deal in loans and advances, neither it accepts deposits. FedServ is operating from two locations:- Kochi in Kerala and Visakhapatnam in Andhra Pradesh.

The total revenue of FedServ for the period ended on March 31, 2020 is ₹18.95 Crores. The full revenue pertains to services provided by the Company to the Bank only. The Company had a net profit of ₹1.27 Crores for the year ended on March 31, 2020. The Net worth of FedServ at the beginning of the year was ₹4.71 Crores and closing net worth of FedServ as on March 31, 2020 was ₹10.98 Crores. During the year, Bank has invested in preference shares of Company amounting to ₹5 Crores.

FedServ will help the Bank in serving the customers better and reducing the cost of operations significantly. FedServ will also help the Bank to improve Turnaround time of various operational processes, improve First Time Right (FTR) rate and enable the bank to become FIRST CHOICE Bank of customers.

The Profit after tax of the Company for the year ended March 31, 2020 increased to ₹1.27 Crores from a loss of ₹0.29 Crores for the year ended March 31, 2019. The total assets of the Company increased to ₹13.69 Crores as on March 31, 2020 from ₹5.70 Crores as on March 31, 2019.

Fedbank Financial Services Limited

Fedbank Financial Services Limited (Fedfina) is a Subsidiary Company of The Federal Bank Limited (the Bank) incorporated on 17th April, 1995. Fedfina received approval from RBI on 24th August, 2010 for commencing its operations. It is a Non-deposit taking Non-Deposit-Taking & Systemically Important (ND-SI) NBFC. Fedfina provides various multiple loan products such as Loan against Property (LAP), Structured Finance and Loan against pledge of Gold ornaments. It also distributes loan products of the Bank. It has over 300 branches across India providing multiple loan products to various segment of borrowers.

Fedfina's Board of Directors is comprises of following six members

Mr. K Balakrishnan – Chairman

Mr. Anil Kothuri – Managing Director & Chief Executive Officer

Mr. Shyam Srinivasan – Director

Ms. Gauri Rushabh Shah – Director

Mr. Maninder Singh Juneja – Director

Mr. Ashutosh Khajuria - Director

The total revenue of Fedfina for the year ended on March 31, 2020 is ₹471.27 Crores as against ₹258.91 Crores for the year ended March 31, 2019. Revenue grew by 82% on the back of growth of 83% in loan book during the year. The net profit of the Company grew by 13% to ₹39.54 Crores for the year ended March 31, 2020 as against ₹35.08 Crores for the year ended March 31, 2019. The Net worth of Fedfina at the beginning of the year was ₹462.24 Crores and closing

Net worth of Fedfina as on March 31, 2020 was ₹694.04 Crores. During the year, Bank has invested in equity shares of Company amounting to ₹59.20 Crores.

The total loan portfolio of Fedfina as on March 31, 2020 is ₹3,650.75 Crores as against ₹1,991.75 Crores as on March 31, 2019. The total assets of the Company increased to ₹4,035.10 Crores as on March 31, 2020 from ₹2,128.55 Crores as on March 31, 2019.

Note: The figures reported above for Fedfina are as per the audited financial statements prepared for the consolidation as per AS 21, Consolidated Financial Statements.

Associate Companies

As on March 31, 2020, the Bank has two Associate Companies named M/s. IDBI Federal Life Insurance Company Limited and M/s. Equirus Capital Private Limited.

Joint Venture in Life Insurance Business

The Bank's Joint Venture Life Insurance Company, in association with IDBI Bank Limited and Ageas Insurance International N.V. (Formerly known as Fortis), namely IDBI Federal Life Insurance Company Limited (erstwhile IDBI Fortis Life Insurance Company Limited), commenced operations in March 2008. Currently the Bank has a total stake of ₹208 Crores. in the equity of the Company holding 26% of the equity capital. The total premium collected by IDBI Federal Life Insurance Company Limited during the period ended March 31, 2020 is ₹1,836 Crores. The Company has declared & paid interim dividend of 4.65% for the FY 2019-20.

Mr. Shyam Srinivasan, Managing Director and Chief Executive Officer and Mr. Ashutosh Khajuria, Executive Director and Chief Financial Officer of the Bank are Non-Executive Directors in IDBI Federal Life Insurance Company Limited.

Investment Banking Associate

As of March 31, 2020, Bank holds 19.90% stake in Equirus Capital Private Limited. Pursuant to the right of proportionate representation on Board as well as power to participate in the financial, operational matters like approval of business plan, policies, budgets, managerial remuneration, change in KMP etc., the same has been treated as an associate concern as per AS 23 Accounting for Investments in Associates in Consolidated Financial Statements. Equirus Capital Private Limited is a private company domiciled in India and is engaged in the business of Investment banking. It has 3 subsidiaries named Equirus Securities Private Limited, Equirus Digital Private Limited and Equirus Wealth Private Limited. Total turnover of Equirus Capital Private Limited on a consolidated basis was ₹45.06 Crores in FY 2020 against ₹51.46 Crores for FY 2019.

Mr. Harsh Dugar, Country Head - Wholesale Banking of the Bank is a Nominee Director on the Board of Equirus Capital Private Limited.

Deposits

Being a Banking Company, the disclosures required as per Rule 8(5)

(v) & (vi) of the Companies (Accounts) Rules, 2014, read with Section 73 and 74 of the Companies Act, 2013 are not applicable to the Bank.

Loans, Guarantees or Investments in Securities

Pursuant to Section 186(11) of the Companies Act, 2013, loans made, guarantees given, securities provided or acquisition of securities by a banking Company in the ordinary course of its business are exempted from the disclosure requirement under Section 134(3)(g) of the Companies Act, 2013.

Related Party Transactions

All related party transactions that were entered during the financial year were in the ordinary course of the business of the Bank and were on arm's length basis. There were no materially significant related party transactions entered by the Bank with Related parties which may have a potential conflict with the interest of the Bank. All Related Party Transactions were placed before the Audit Committee of the Board for approval. Prior omnibus approval for transactions which are of repetitive nature is obtained from the Audit Committee and accordingly the required disclosures are made to the Committee on quarterly basis in terms of the approval of the Committee.

The policy on materiality of Related Party Transactions and also on dealing with Related Party Transactions as approved by the Audit Committee and the Board of Directors is uploaded on the website of the Bank and the link for the same is <http://www.federalbank.co.in/our-commitments>.

Since all related party transactions entered into by the Bank were in the ordinary course of business and were on an arm's length basis, disclosures as per Form AOC-2 is not applicable to the Bank. There were also no material contracts or arrangement or transactions with related parties during the period.

Corporate Social Responsibility

Corporate Social Responsibility (CSR) has been an inherited & inbuilt element of our fundamentals right from the day the Bank was founded. Our founder's values & ethos based on trust got embedded in the Bank's policies & principles. CSR in Federal Bank began with the first act of cultivating banking habits in the agrarian society to effectively utilize idle money for productive purposes.

The details of the CSR initiatives undertaken during the financial year ended March 31, 2020 and other details required to be given under section 135 of the Companies Act, 2013 read with rule 8(1) of the Companies (Corporate Social Responsibility Policy) Rules, 2014 are given in **Annexure I** forming part of this Report.

Energy Conservation, Technology Absorption, Foreign Exchange Earnings and Outgo

The Bank has undertaken various initiatives for energy conservation at its premises, further details are given under Principle 6 of Section E of the Business Responsibility Report. The Bank prides itself on

continuous investment in technology upgrades that are designed to deliver cost effective best in class customer service.

Bank implemented Information Rights Management (IRM) solution to protect and control bank documents and files while sharing. Bank implemented payment card industry Data security standard and become PCI-DSS Certified on November 12, 2019

The Bank has used information technology extensively in its operations, for more details please refer the section on Technology and Digital Updates portion forming part of Directors report. Through its export-financing operations, the Bank supports and encourages the country's export efforts.

Risk Management

The Board of Directors oversees the enterprise wide risk management of the Bank. The Risk Management Committee of the Board sets the standards and governs the risk management functions, thereby bringing in a top to down focus on risk management. Integrated Risk Management Department co-ordinates and administers the risk management functions in the Bank. The Department has three divisions for managing the main risk streams, Credit risk, Market risk and Operational risk. Dedicated teams within the Divisions are responsible for assessment, monitoring and reporting of various material risks. Default risk and asset quality of loan portfolio are monitored and managed by the Credit Risk Division. The Bank has established an independent Mid Office as part of Market Risk Division for real time monitoring of Treasury activities. Business Continuity Management and Information and Cyber Security measures form part of operational risk management. Risk Management policies are approved by the Board of Directors and reviewed from time to time with updated regulatory and internal guidelines. Executive level risk management committees namely, Credit Risk Management Committee, Asset Liability Management Committee, Operational Risk Management Committee and Information Security Committee regularly assess the respective risks and direct corrective actions wherever required. The risk management functions are co-ordinated by a senior Executive designated as Chief Risk Officer who reports directly to the Managing Director & CEO. The Executive level committees report to the Risk Management Committee of the Board on the various risk events and the direction and level of the various risks. All material risks of the Bank emerging in the course of its business are identified, assessed and monitored in the Internal Capital Adequacy Assessment Process (ICAAP). In our view, all the material risks of the Bank are identified, assessed and managed adequately.

Vigil Mechanism/Whistle Blower Policy

Bank has a comprehensive Fraud Risk Management Policy that speaks on various control systems, monitoring and surveillance mechanism so as to prevent, detect and investigate frauds both internal and external. Vigilance department plays a dynamic role in prevention as well as investigation of frauds. Preventive measures include spreading awareness on potential fraudulent activities and

instigating a compliant environment among all employees of the Bank. Effectiveness of fraud prevention mechanism is ensured by conducting Preventive Vigilance Workshops, Preventive Vigilance Audits and alerts to all employees on regular basis that disseminates various modus operandi of frauds in the banking industry. Bank has been keen on educating customers against fraudulent activities through various channels including SMS, E-mails, posters at Branches, scroll messages on Bank website and internet banking webpage, etc. Suspected frauds/complaints/internal irregularities are promptly investigated by the Vigilance Department.

As part of Detective Vigilance all the cases of suspected frauds reported in the Bank are investigated in detail. Lacunae if any observed during the course of investigation are plugged and wherever warranted systemic corrections are implemented.

Bank has a robust Whistle Blower Policy termed as Protected Disclosure Scheme (PDS) with a view to enhancing public confidence in the Bank and also in compliance of rules in this regard. The policy aims at establishing an efficient vigil mechanism in the Bank to quickly spot aberrations and deal with it at the earliest. It is disseminated among the employees assuring confidentiality and protection to the whistle blower against any personal vindictive actions such as humiliation, harassment or any other form of unfair treatment. Directors and Employees of the Bank, employee representative bodies, customers, stakeholders, non-governmental organizations (NGO) and members of the public can lodge complaints/disclosures under this scheme. The Head of Vigilance Department in the Bank will be the nodal officer to receive complaints under the scheme. In exceptional cases the Chairman of the Audit Committee may act as the nodal officer. A dedicated e-mail ID is provided for sending complaints/disclosures under PDS. An e-mail ID for sending complaints to the Chairman of Audit Committee in exceptional cases is also provided. Vigilance Department conducts investigation of all complaints / information received through the PDS and submits report to MD & CEO. The details of the complaints and findings are also placed before the Audit Committee of the Board on a quarterly basis. The scheme is popularised through various measures such as preventive vigilance classes, internal circulars, alerts etc. No personnel have been denied access for giving any information as envisaged in the Protected Disclosure scheme. The PDS Document is made available in Intranet and Bank's website, www.federalbank.co.in under section "Customer Relations – Codes, Policies & Disclosures.

Significant and Material Orders passed by the Regulators or Courts or Tribunals Impacting the Going Concern Status of the Company and its Future Operations

The Bank has not received any significant or material orders passed by any Regulatory Authority, Court or Tribunal which shall impact the going concern status and Bank's operations in future.

Statutory Auditors

M/s B S R & Co. LLP, Chartered Accountants together with

M/s M M Nissim & Co, Chartered Accountants, Joint Statutory Central Auditors of your Bank, retire on the conclusion of the Eighty Ninth Annual General Meeting of the Bank. They have been auditors of the Bank for last four financial years. Pursuant to the guidelines issued by the Reserve Bank of India (RBI), an audit firm is allowed to continue as the statutory auditor of a bank for a continuous period of four years only.

Accordingly, it is proposed to appoint M/s. Varma & Varma, Chartered Accountants (Registration No. 004532S) together with M/s. Borkar & Muzumdar, Chartered Accountants (Registration No. 101569W) as Joint Statutory Central Auditors of the Bank in place of M/s B S R & Co. LLP, Chartered Accountants and M M Nissim & Co, Chartered Accountants who have completed four years as the Statutory Auditors of the Bank.

The appointments of Joint Statutory Central Auditors along with the relevant details are proposed to the members in the Notice of the Eighty Ninth Annual General Meeting.

RBI vide its letter DOS. ARG. No. PS-8/08.09.005/2019-20 dated June 04, 2020 had granted approval for appointment of M/s. Varma & Varma, Chartered Accountants and M/s. Borkar & Muzumdar, Chartered Accountants as Joint Statutory Central Auditors of the Bank for FY 2020-21.

There is no qualification or adverse remark in Auditors' Report. There is no incident of fraud requiring reporting by the Auditors under Section 143(12) of the Act.

Secretarial Audit and Secretarial Compliance Report

Pursuant to the provisions of Section 204 of The Companies Act, 2013 your Bank has appointed CS EP Madhusudhanan, Partner of SEP & Associates, Company Secretaries as Secretarial Auditor to conduct Secretarial Audit of the Bank for the FY 2019-20. Accordingly, the Secretarial Audit Report for FY 2019-20 is annexed to this report as **Annexure II**. There are no reservations, adverse remark or disclaimer in the Secretarial Audit Report.

No offence of fraud was reported by the Secretarial Auditor of the Bank.

Pursuant to circular no. CIR/CFD/CMD1/27/2019 dated February 09, 2019, issued by SEBI, the Bank has obtained Secretarial Compliance Report, from Practicing Company Secretaries on compliance of all applicable SEBI Regulations and circulars/ guidelines issued thereunder and the copy of the same was submitted with the Stock Exchanges.

Compliance with Secretarial Standards on Board and General Meetings

The Bank has complied with Secretarial standards issued by the Institute of Company Secretaries of India on Board Meetings and General Meetings.

Extract of Annual Return

Pursuant to the provisions of Section 134(3)(a) and Section 92(3) of the Act and Rule 12(1) of the Companies (Management and Administration) Rules, 2014, the extract of Annual Return as at March 31, 2020 forms part of this Report as **Annexure III**. The Annual Return will be made available in the Bank's website, www.federalbank.co.in under section "Shareholders Information".

Consolidated Financial Statements

In accordance with the provisions of Section 129(3) of the Companies Act, 2013 read with Rule 8 of Companies (Accounts) Rules, 2014, the Bank has prepared its Consolidated Financial Statement including its subsidiaries Fedbank Financial Services Limited and Federal Operation and Services Limited and Associates IDBI Federal Life Insurance Company Limited and Equirus Capital Private Limited, which is forming part of this Annual report. The financial position and performance of its subsidiaries/ Associates is given in Form AOC-1, the statement containing salient features of the financial statements of the subsidiaries/Associate Companies/Joint Venture.

In accordance with third proviso to Section 136(1) of the Companies Act, 2013, the Annual Report of the Bank, containing therein its standalone and the consolidated financial statements has been hosted on its website, www.federalbank.co.in. Further, as per fourth proviso to the said section, the Audited Annual Accounts of the said Subsidiaries Company of the Bank, considered as part of the consolidated financial statements, have also been hosted on the Bank's website www.federalbank.co.in. The said documents have been hosted on the website of the subsidiary Companies of the Bank also, in compliance with the said section.

The documents/details available on the Bank's website (www.federalbank.co.in) will also be available for inspection by any Member at its Registered Office. Further, pursuant to the provisions of Accounting Standard ('AS') 21, Consolidated Financial Statements notified under Section 133 of the Companies Act, 2013, read together with Rule 7 of the Companies (Accounts) Rules, 2014 issued by the Ministry of Corporate Affairs, the Consolidated Financial Statements of the Bank along with its subsidiaries and associates for the year ended March 31, 2020 forms part of the Annual Report.

Requirement for Maintenance of Cost Records

The Bank is not required to maintain cost records as specified by the Central Government under section 148(1) of the Companies Act, 2013.

Management Discussion and Analysis Report

In compliance with the Regulation 34 of the SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015, separate Section on Management Discussion and Analysis, as approved by the Board, which includes details on the state of affairs of the Bank, forms part of this Annual Report.

Corporate Governance

Your board seeks to embed and sustain a culture that will enable us to achieve our objectives through effective corporate governance and enhance transparent engagement with key stakeholders.

In our constant endeavour to benchmark our policies and practices and in light of various developments in the realm of corporate governance and regulatory reforms, your Bank continues to maintain and implement the highest standards of corporate governance and ethical business practices.

A separate report on Corporate Governance setting out the governance structure, principal activities of the Board and its Committees and the policies and practices that enable the Board to fulfill its stewardship responsibilities together with a Certificate from the Secretarial Auditor of the Bank regarding compliance of conditions of Corporate Governance as stipulated under Listing Regulations forms part of this Annual report.

Internal Complaints Committees (Information under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013)

Bank had constituted Internal Complaints Committee, as per letter and spirit contained in the provisions of "The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013", at 9 Zones and Head Office to prevent and redress the complaints relating to sexual harassment and to organize workshops/ awareness programs to empower women employees while handling cases relating to sexual harassment. Workshops/ awareness programs regarding women empowerment were conducted at various locations pan India. The data with regard to the redressal of complaints by the Internal Complaints Committee are as follows:

a	No. of complaints received for the year FY 2019-20	5
b	No. of complaints disposed of during FY 2019 - 20	4
c	No. of cases pending for more than 90 days	Nil
d	No. of workshops/ awareness program against sexual harassment carried out	11
e	Nature of action taken by the employer/ District Officer	Appropriate action taken

Dividend Distribution Policy

In accordance with the Regulation 43A of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Bank has formulated a Dividend Distribution Policy and the same is annexed herewith as **Annexure IV**. The policy has been displayed on the Bank's website at www.federalbank.co.in

Internal Control Systems and their Adequacy

The Bank has through the years developed and stabilized an effective internal control system calibrated to the risk appetite of the Bank and aligned to the scale, size and complexity of its operations. The scope and authority of the internal audit function is defined in the

Audit and Inspection Policy of the Bank, duly approved by the Board of Directors. In order to help Bank achieve its mission of adopting the best professional practices prevailing in the industry, while framing the policy, substantial inputs are taken from - RBI guidance note on Risk Based Internal Audit, 'The internal audit function in banks' published by Basel Committee on Banking Supervision and Model Audit Manual on Internal & Concurrent Audit Systems in Public Sector Banks. Audit and Inspection Policy is reviewed annually. Policy is reviewed considering various guidelines of RBI, Basel Committee recommendations, ICAI guidelines, other statutory / regulatory guidelines, directions of Board / Audit Committee of the Board issued from time to time and periodic internal guidelines / instructions issued by the Bank. At the enterprise level, the Inspection and Audit Department, on a continuous basis, assesses and monitors the effectiveness of the control systems and its adequacy to meet the growing complexities. The audit function essentially validates the compliance of Bank's processes and operations with regulatory guidelines, accounting procedures and Bank's own internal rules and guidelines. A department level group meets on periodical intervals to discuss latest internal / RBI / regulatory guidelines for ensuring that the required changes are implemented for making the audit function updated and dynamic.

The Bank has a robust system towards escalating the audit findings to appropriate levels in the hierarchy of Management and discussions in various committees towards suggesting corrective action and its follow up. The Bank in compliance of the requirements of Section 138 of the Companies Act, 2013, has designated the Head of Inspection and Audit Department as Internal Auditor. Audit being an independent function, the Internal Auditor is reporting to the Audit Committee of the Board of Directors. The Bank has various types of audit which inter-alia include Risk Based Internal Audit, Information System Audit, Concurrent Audit, Gold Loan Audit and Management Audit. Branches are risk rated and the frequency of Risk Based Internal Audit is decided based on Risk – Audit Matrix defined in Audit and Inspection Policy. Significant Audit findings and observations are presented to Inspection Review Committee of Executives and a report on the meetings of Inspection Review Committee of Executives along with significant audit findings, directions / suggestions of the Committee and action taken in such cases are placed to the Audit Committee of the Board for review periodically. Other findings are placed before a department level committee called the 'Inspection Department Review Committee' for review and its observations are placed before Inspection Review Committee of Executives.

As per the requirement of Companies Act, 2013, Bank has formulated Internal Financial Controls framework. Risk and Controls associated with each process in the Bank are documented under the Internal Financial Controls Framework. Inspection and Audit Department plays a significant role in testing the control effectiveness for each process under the framework.

The Internal Audit function provides independent assurance to the

Board of Directors and Senior Management on the quality and effectiveness of the bank's internal control, risk management and governance systems and processes, thereby helping the Board and Senior Management protect the bank and its reputation.

Policy on Board Diversity

Policy on Board Diversity of the Bank mainly depends on the qualifications for appointment of Directors of the Bank as contained in the Banking Regulation Act, 1949 and satisfying the Fit and Proper Criteria for directors as per the regulatory requirement of RBI.

The Bank continuously seeks to enhance the effectiveness of its Board and to maintain the highest standards of corporate governance and recognizes and embraces the benefits of diversity in the boardroom. Diversity is ensured through consideration of a number of factors, including but not limited to skills, regional and industry experience, background and other qualities. In forming its perspective on diversity, the Bank also take into account factors based on its own business model and specific needs from time to time.

Board Diversity enhances the quality of performance of the Board, ushers in independence in the performance of the Board; eradicates the gender bias in the Board; achieves sustainable and balanced performance and development; support the attainment of strategic objectives & also ensures compliance of applicable laws and good corporate practices.

The Nomination, Remuneration, Ethics and Compensation Committee has the responsibility for leading the process for Board appointments and for identifying and nominating, for approval by the Board, candidates for appointment to the Board. The benefits of diversity continue to influence succession planning and continue to be the key criteria for the search and nomination of directors to the Board.

Board appointments will be based on merit and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board, including gender. While making Board appointments, the requirement as per the Companies Act, 2013 for appointment of at least one woman director on the Board of the Bank will also be considered.

Bank's Policy on Directors' Appointment and Remuneration including Criteria for Determining Qualifications, Positive Attributes, Independence of a Director and other matters provided under sub-Section (3) of Section 178 of Companies Act, 2013.

a. Qualifications, Experience and knowledge

1. The Board should bring to their tasks a balanced mix of knowledge, skills, experience, and judgment relevant to the Bank's policies, operations, and needs. Not less than fifty-one percent of the total number of Directors shall be persons having special knowledge, skills, or valuable experience in one or more fields, such as banking, finance, management, economics, law, accountancy, agriculture and rural economics, cooperative

movement, trade, industry, infrastructure, engineering, and technology. At least two Directors shall be persons having special knowledge or practical experience in agriculture and rural economy, cooperation, or small-scale industry. The Bank shall ensure to include in its Board need based representation of skills such as marketing, technology & systems, risk management, strategic planning, treasury operations, credit recovery, Payment and Settlement Systems etc.

2. The directors should be able to devote sufficient time and attention to the discharge of their duties to the Bank.
3. The directors shall preferably be in the range of 35-70 years of age.

b. Disqualification / Conflicts of interest

1. The Bank's Directors shall be subject to the disqualifications / prohibitions contained in the Companies, Act 2013 and the Banking Regulation Act, 1949 with respect to directorship of companies in general or banking companies in particular.
2. A Director shall not be a director of any other company, or partner or proprietor of a firm, where such directorship, partnership, or proprietorship involves or is likely to involve actual or potential conflicts of interest as a Director of the Bank. A Director shall promptly inform the Board / committee of any actual or potential conflicts of interest with respect to any matter that may come up for the consideration of the Board or of any committee of which he is a member, and shall refrain from participating in a discussion on the matter.

c. Suggested criteria for determining attributes of a director as required to be specified under Companies Act, 2013 include

1. Integrity in personal and professional dealings.
2. Wisdom and ability to take appropriate decisions.
3. Ability to read and understand financial statements
4. Ability to deal with others with a sense of responsibility, firmness, and cooperation.
5. Refrain from any action that would lead to loss of his independence.

d. Suggested criteria for determining Independence of a director

The criteria of independence of a director are determined based on the conditions specified in Section 149 (6) of the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The independent director shall at the first meeting of the Board in which he participates as a director and thereafter at the first meeting of the Board in every financial year or whenever there is any change in the circumstances which may affect his status as an independent director, give a declaration that he/ she meets the criteria of independence. The terms and conditions of appointment of Independent Director is disclosed on the website of the Bank and a web link thereto is: <https://www.federalbank.co.in/our-commitments>.

Policy on Remuneration

Policy on Remuneration to Non-Executive Directors/ Independent Directors

The Policy of the Bank for the payment of remuneration to Non-Executive Directors / Independent Directors of the Bank is explained in the Comprehensive Compensation Policy for Non-Executive Directors / Independent Directors (other than Part Time Chairman), as approved by the Board of Directors and is disclosed on the website of the Bank and a web link thereto is: <http://www.federalbank.co.in/shareholder-information>.

As required under Banking Regulation Act, 1949 prior approval of RBI is required, to give remuneration to Non-Executive Part Time Chairman of the Board.

As per the Policy, during FY 2019-20, Non-Executive Independent Directors of the Bank are paid sitting fee for attending Board/ Committees meetings and reimbursement of expenses for participation in Board/Committee meetings and in addition, profit linked commission for FY 2018-19 were also paid during the year. Non- Executive Part Time Chairman was paid remuneration in addition to sitting fee with the approval of RBI.

Policy on Remuneration to MD & CEO, Executive Directors, Key Managerial Personnel and other Employees

The Compensation / Remuneration Policy of the Bank as approved by the Board contains the policy for payment of remuneration to MD & CEO, Executive Directors, Key Managerial Personnel and for all the other employees of the Bank.

As per the guidelines given by RBI, Compensation/Remuneration Policy has been designed with the following Core Principles:

Core Principles

1. Effective governance of Compensation.
2. Alignment of Compensation with Prudent Risk Taking.
3. Effective Supervisory Oversight and Stakeholder Engagement.

Compensation of Managing Director & CEO, Whole Time Directors and Senior Management Personnel.

The compensation paid out to the referred functionaries is divided into two components:

1. The fixed compensation is to be determined based on the industry standards, the exposure, skill sets, talent and qualification attained by the official over his/her career span. (Approval from RBI to be taken as per section 35B of the Banking Regulation Act while deciding the fixed and variable compensation part for Managing Director & CEO and Whole Time Directors)
2. The variable compensation for Managing Director & CEO, WTD's and Senior Management Personnel to be fixed based on organizational performance and KPAs set for the official. The organization's performance is charted based on the 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 will be paid purely based on performance and is measured through Score Cards for Managing Director & CEO / WTDs. The Score Card provides a mix of Financial and Non-Financial, Quantitative and Qualitative Metrics. KPAs to contain targets on Risk Adjusted Metrics such as RAROC, RARORAC, in addition to target on NPAs. While considering/ recommending the variable pay in respect of Managing Director & CEO and Whole Time Directors, serious supervisory observations (if any) shall be factored, which will be ensured through suitable processes

Grander Compensation Package to Executives in Level IV and above

The Compensation package applicable to Executives in Level IV to VII are governed under the provisions of Grander Compensation Package, a performance linked pay structure implemented in the Bank from with effect from 01.05.2017. Annual Increment under the "Grander Compensation Package" will depend on the annual performance rating of the Executive concerned.

Compensation paid to Employees on IBA Package

The compensation paid to Award Staff and Officers coming under Scale I to III is fixed based on the periodic industry level settlements between Indian Banks' Association. The present scale of pay and other service conditions applicable to employees, whose compensation package is governed under IBA package is as per provisions of 10th Bipartite Settlement.

Limit on Variable Pay

The variable compensation offered to an official would not exceed 70% of the total fixed compensation

Severance Pay and Guaranteed Bonus

Severance pay (other than gratuity or terminal entitlements or as entitled by statute) is not paid to any official of the Bank

Guaranteed Bonus on joining in the form of Cash/equities/deposits/ bonds/debentures etc. or multiyear guaranteed bonus (like retainer fees) will not be paid to any official in the organization. However, to attract talent, sign on bonus or joining bonus can be paid, but this will be limited to the first year only and it will be given as Employee Stock Options only

Hedging

No compensation scheme or insurance facility would be provided by the Bank to employees to hedge their compensation structure to offset the risk alignment mechanism (deferral pay and claw back arrangements) embedded in their compensation arrangement.

Compensation Recovery Policy

Malus/ 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. If an Official covered under Compensation Recovery Policy, is responsible for any act or omission or non compliance of regulatory guidelines resulting in a penalty being imposed by any Regulators or engages in a detrimental conduct against the interests of the Bank, as determined by the Nomination Committee of the Board, within 36 months from the date of payment of variable compensation, the Bank may require such covered official to reimburse the Bank within 6 months for all, or a portion of, any bonus, incentive payment, equity based award or other compensation received by such Covered Official.

Committees to mitigate risks caused by an individual decision

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

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

Executive Director (ED) level Committee for reviewing the linkage of Risk based performance with Remuneration

An ED level Committee comprising of ED and Heads of Risk Division and HR Department ensures alignment of risk and financial control in Compensation in respect of employees.

- a) The Committee shall review the Compensation paid vis-a-vis risk taking by the Executives to ensure that prudent risk taking is recognized in the compensation framework
- b) The Committee shall analyses the risk reward correlation and ensure that excess risk taking is not encouraged
- c) The Committee shall review the performance based variable compensation paid every year and ensure that an optimum risk reward balance is maintained.
- d) Linkage of performance during a performance measurement period with levels of remuneration.
- e) Bank's policy on deferral and vesting of variable remuneration and criteria for adjusting deferred remuneration before vesting and after vesting.
- f) The Committee shall establish appropriate compliance arrangements to ensure employees do not insure or hedge their compensation structure.
- g) The Committee shall update the details to the Nomination and Remuneration Committee on an annual basis.

Deferred compensation and Performance Linkage

In the event of variable compensation paid to MD & CEO, ED and Senior Executives 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

Familiarization Programmes for Independent Directors

The familiarising programme for the Independent Directors are disclosed in the Report on Corporate Governance that forms part of this Annual Report. The details of such familiarization programmes are also disclosed on the Bank's website, www.federalbank.co.in under section "Shareholders Information".

Board Evaluation

Pursuant to the provisions of the Companies Act, 2013 and Regulation 17(10) and other applicable Regulations of the SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015, the Board has carried out an annual performance evaluation of its own performance and of the directors individually, as well as the evaluation of the working of its various Committees for the year under consideration.

The evaluation process was initiated by putting in place, a structured questionnaire after taking into consideration inputs received from the Directors, covering various aspects of the Board's functioning, such as adequacy of the composition of the Board and its Committees, Board culture, execution and performance of specific duties, obligations and governance.

Thereafter a separate exercise was carried out to evaluate the performance of individual Directors, including the Chairman of the Board, who were evaluated on specified parameters. The performance evaluation of the Independent Directors was carried out by the entire Board, other than the Independent Director concerned. The performance evaluation of the Chairman and the Non Independent Directors were carried out by the Independent Directors. The Directors expressed their overall satisfaction with the evaluation process.

I) Performance Evaluation of Non-Independent Directors (MD & CEO and Executive Director)

Criteria for Evaluation include:

Quantitative Targets:

- a. Achievements of performance against targets set

Qualitative Targets:

- a. Appraises the Board regarding the organization's financial

position and operational budget so as to enable the Board to make informed financial decisions

- b. Provides Leadership in developing strategies and organizational plans with the management and the Board of Directors
- c. Ensures that the Board is kept informed about all issues concerning the Bank
- d. Media interaction and ability to project positive image of the Company
- e. Effectively pursue the performance goals in relation to mission and objective of the organization
- f. Motivating employees, providing assistance & directions
- g. Supervising & Safeguard of confidential information
- h. Establishment of internal control processes, monitoring policies and encouraging suggestions
- i. Cultivates effective Relationship with Industry Forums, Community and business leaders, Regulatory Bodies and Public Officials.
- j. Ensures compliance with all legal and regulatory requirements.

II) Performance Evaluation of Independent Directors including Chairman

Criteria for evaluation include:

- a. Attendance at the Board and Committee meetings
- b. Study of agenda papers in depth prior to meeting and active participation at the meeting
- c. Contributes to discussions on strategy as opposed to focus only on agenda
- d. Participate constructively and actively in the Committee of the Board in which they are chairpersons or members
- e. Exercises his/her skills and diligence with due and reasonable care and brings an independent judgement to the Board
- f. The Director remains abreast of developments affecting the Company and external environment in which it operates independent of his being appraised at meetings
- g. Knowledge and Competency: a) How the person fares across different competencies as identified for effective functioning of the entity and the Board b) Whether the person has sufficient understanding and knowledge of the entity and the sector in which it operates
- h. Whether the person demonstrates highest level of integrity, including conflict of interest disclosures, maintenance of confidentiality, etc

III) Performance Evaluation of Board and Committees

A. Criteria for Evaluation of Board include:

- i) If Board is of appropriate size and has the appropriate balance and diversity of background, business experience, industry knowledge, skills and expertise in areas vital to the Bank's success, representing

sectors laid down by the regulators, given its current and future position ii) New Board members participate in an orientation program to educate them on the organization, their responsibilities, and the organization's activities, the Board encourages a culture that promotes candid communication iii) The Board oversees management's procedures for enforcing the organization's code of conduct, Action Taken Reports on the discussion/directions of the Board are submitted at regular intervals to the Board iv) The Board oversees risk management through inputs from the Risk Management Committee v) The Board considers the quality and appropriateness of financial reporting, including the transparency of disclosures vi) The Board ensures compliance with the relevant provisions of the Companies Act and other regulatory provisions as applicable to the Bank vii) The Board oversees the compliance processes viii) The Board views the organization's performance from the competitive perspective - industry and peers performance, industry trends and budget analysis and with reference to areas where significant differences are apparent etc. ix) The Board ensures compliance with the relevant provisions of the Companies Act and other regulatory provisions as applicable to the Company. x) The Board has defined an effective Code of Conduct for the Board and Senior Management. xi) Whether the Board monitors and manages potential conflicts of interest of management, members of the board of directors and shareholders, including misuse of corporate assets and abuse in related party transactions.

B. Criteria for Evaluation of Committees include:

i) The Committee's Terms of Reference and composition are reviewed annually and is found to be constituting of Directors representing sectors laid down by the regulator and continue to be appropriate ii) Committee meetings are organized properly in number, timing and location iii) The Committee allocates the right amount of time for its work etc iv) The Committee is effective in carrying out its mandate v) Whether adequate independence of the Committee is ensured from the Board vi) Whether the Committee has fulfilled its functions as assigned by the Board and laws as may be applicable.

IV) Assessment of flow of information

Criteria for Evaluation include:

The agenda and related information are circulated in advance of meetings to allow board members sufficient time to study and understand the information, Information on the annual operating plans and budgets and other updates are provided to the Board; Updates on operating results of the Bank is furnished to the Board, periodically etc. Update on the compliance with the regulatory, statutory or listing requirements are placed before the Board.

Business Responsibility Report

In July 2011, the Ministry of Corporate Affairs, Government of India, came out with the 'National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business'. These

guidelines contain certain principles that are to be adopted by companies as part of their business practices and require disclosures regarding the steps taken to implement these principles through a structured reporting format, viz. Business Responsibility Report. Pursuant to Regulation 34(2)(f) of SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015, your Bank has prepared the Business Responsibility Report and forms part of this Annual Report.

Technology and Digital Updates and Measures taken in IT Governance, Information Security, IT Audit, IT Operations, IT Services Outsourcing

Technology and Digital updates

IT provides the strong foundation that enables your Bank to grow extensively and gain market share. In the following paragraphs, we provide more details of the entire governance structure over IT, with focus on information security.

IT governance is the processes that ensure the effective and efficient use of IT in enabling our organization to achieve its goals. It is an integral part of corporate governance and consists of the organizational structures, leadership and process that ensure IT sustains and extends the organization's strategy and objectives.

The governance of IT is effectively supervised by the Board of Directors through the IT & Operations Sub-Committee of the Board. The IT & Operations Committee that meets on a quarterly basis is chaired by an independent Non-Executive Director and has two Non-Executive Directors as members, along with the MD & CEO. All members of the Committee have extensive experience in IT & Operations and are able to provide effective guidance and direction to the management team.

Executive level committee which oversee the IT governance function include the Operations Risk Management Committee (ORMC), the Information Security Committee (ISC) and the Project Steering Committee (PSC).

Your Bank has a well-defined Information System Security Policy and a Cyber Security Policy. The effective implementation of these policies is supervised by the Information Security Committee and by the IT & Operations Committee of the Board.

In recognition of the need for enhanced systems security, your Bank conducts a wide range of system audits, using internal and external auditors. These range from the quarterly Vulnerability Assessments (VA) and Penetration Testing (PT) to concurrent audits to an annual end to end audit of IT infrastructure. All the applications, both web based and mobile based apps exposed to internet are subjected to external penetration testing (PT) before releasing to use.

Bank has deployed best in the class infrastructure to provide availability of service to users and customers without fail. The installed infrastructure is tested for its reliability and robustness by periodic audits. In addition, periodic Disaster Recovery Tests are conducted to

ensure the ability to move to the Disaster Recovery infrastructure in the event of downtime in the main production capability.

The Bank is conducting employee and customer awareness on cyber frauds, vishing/phishing attacks etc through SMS, eMails and popup messages in banks' website and mobile banking applications. Bank has done separate awareness workshops for Directors on the cyber frauds and its impacts. As a measure to assess the effectiveness of awareness among employees bank is conducting 'Redteam' exercises on a quarterly basis. Bank has implemented most of the Gopalakrishna Committee recommendations on Information Security, Electronic Banking, Technology Risk and Cyber Fraud. The progress of pending items for implementations are followed up for completion in a time bound manner.

Particulars of Employees

The statement containing particulars of employees as required under Section 197(12) of CA 2013 read with Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is available on the website: <https://www.federalbank.co.in/shareholder-information>.

The ratio of the remuneration of each Director to the median remuneration of the employees of the Bank and other details in terms of Section 197(12) of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, are forming part of this report as **Annexure V**.

Director's Responsibility Statement

To the best of our knowledge and belief and according to the information and explanations obtained to us, the Directors make the following statements in terms of Section 134 (3) (c) of the Companies Act, 2013:

1. that in the preparation of the annual financial statements for the year ended March 31, 2020, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
2. that such accounting policies as mentioned in the Notes to the Financial Statements have been selected and applied consistently and judgment and estimates have been made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Bank as at March 31, 2020 and of the profit of the Bank for the year ended on that date.
3. that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Bank and for preventing and detecting fraud and other irregularities;
4. that the annual financial statements have been prepared on a going concern basis;

5. that proper internal financial controls were in place and that the financial controls were adequate and were operating effectively;
6. that systems to ensure compliance with the provisions of all applicable laws were in place and were adequate and operating effectively.

Awards and Accolades

Your Bank has won various awards and accolades in the Financial Year 2019-20 also. These awards are actually a testimony of Bank's commitment on digital front with various initiatives which brought in acclaim from both Customers and stakeholders.

Your Bank has won Technology senate award instituted by Indian Express group for transforming recruitment process enabled by artificial intelligence-arguably a first in the domestic banking space. Your Bank won the first prize as "The Best Technology Bank of the year" in the Banking Technology 2019 awards organized by IBA. The Bank was conferred with the 'Best Bank Small – 1st Runner Up' award under the 'Overall Best Bank' category, at the 11th edition of 'Magna Awards' instituted by 'Business world'. Your Bank was also honored with 'The Best Bank of Year 2019' award by Dhanam Magazine.

Your Bank is giving increased emphasis on the use of Robotic Process Automation. As recognition of the efforts, your Bank has won the striking 'Automation Excellence' award, under the category 'Excellence in Banking & Financial Services', at an event hosted by UiPath in association with 'The Economic Times'. Bank has automated, using RPA platform, 130 processes at centralized operations level as of March 31, 2020. Your Bank has also won NSDL special recognition award for The First Bank in India to offer online demat account opening facility and Best Innovative Strategy of the year by CII-CDT& ETBFSI Excellence Awards 2019 for the category Most Innovative partnership strategy of the year- by a Bank, instituted by Economic Times.

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

Sd/-
Aluva
Date: June 19, 2020

Sd/-
Ms. Grace Koshie (DIN-06765216)
Chairperson of the Board

ANALYST DAY

Your Bank organized an Analyst Day which saw the participation of various sell-side analysts. The objective of this event was to give the analyst community a perspective of Bank's growth prospects and strategies.



Annexure - I

Corporate Social Responsibility Report

Corporate Social Responsibility (CSR) has been an inherited & inbuilt element of our fundamentals - right from the day the Bank was founded. Our founder's values & ethos based on trust got embedded in the Bank's policies & principles. CSR in Federal Bank began with the first act of cultivating banking habits in the agrarian society – to effectively utilize idle money for productive purposes.

1. A brief outline of the company's CSR policy, including overview of projects or programs undertaken and a reference to the web-link to the CSR Policy and Projects or Programs.

Policy on Corporate Social Responsibility 2019-20

Introduction

For us in Federal Bank, reaching out to people who needs assistance is part of the values passed by our founder. The objectives we intend to achieve through CSR programs aims at developing communities and environment sustainability to create a protected future for the generations to come. The Corporate Social Responsibility activities of the Bank touches a wider footprint through areas like Health, Education, Women empowerment, Environment sustainability, and other activities permitted by the Schedule VII of the Companies Act, 2013.

Objectives of CSR

- To make meaningful contribution for the improvement of those lying at the bottom of social pyramid and thereby act as socially conscious, well governed and successful corporate citizen of the country.
- To ensure that the activities undertaken will bring maximum relief to the intended beneficiaries and thereby contribute to the long term development of the society, by providing socially and environmentally sustainable benefits, measurable in economic terms, demonstrating the social commitment of the Bank in the same manner it services the customers, employees and shareholders.

Legal Framework of CSR Policy

Section 135 of the Companies Act, 2013 (hereinafter referred to as the Act), effective from April 01, 2014, read with the Companies (Corporate Social Responsibility Policy) Rules 2014, as amended from time to time, lays down the legal framework for the Bank's CSR policy, guided by the core values of quality, reliability and trust, and passion for excellence pursued by the Bank at all levels.

Corporate Vision and objective of the Policy

The Bank desires to make a meaningful contribution for the improvement of those people who are at the bottom of the social pyramid, and thereby act as socially conscious, well governed and

successful corporate citizen of the country, maintaining highest standards of corporate governance with the cooperation and involvement of its employees, constituents, society, shareholders and other stakeholders including the Government.

The Bank would be ensuring that the activities are undertaken in a manner that every rupee spent for this purpose will ultimately bring maximum relief to the intended beneficiaries, and thereby contribute to the long term development of the society. The Bank aims to do this by engaging in activities that provide socially and environmentally sustainable benefits for the beneficiaries, measurable in economic terms. This would demonstrate the social commitment of the Bank, in the same manner as it services the interest of the customers, employees and shareholders, integrating the social and business goals.

CSR Through Employee Volunteering

Bank ensures employee engagement and encourages employee involvement in the social responsibility activities of the Bank through various programmes every year. Bank budgets a specific amount under Employee Volunteering and the same would be reached out to the needy through well planned team activities.

The activities will be only carried out in India, in areas of operation of the Bank.

CSR Initiatives covered by the Policy

In accordance with the corporate philosophy outlined above, and the frame work of the Act as amended from to time, the thrust areas of CSR activities of the bank would be:

1. **Poverty Alleviation:** Eradicating hunger, poverty, and malnutrition; Providing safe drinking water, Housing to economically backward sections of society; Healthcare including preventive healthcare and Trauma-care in high-ways; Improved sanitation and hygiene and other measures for reducing inequalities faced by socially economically backward sections of society including contribution to funds set up by central Government for promotion of sanitation.
2. **Education and skill development:** Promoting education including Special Education and vocational education including skill development for children, women elderly and differently abled and livelihood enhancement projects and other activities within the overall objective of promoting education.
3. **Gender equality and welfare of Senior citizens:** Undertaking activities for gender equality including but not limited for empowerment of women, self-help groups and similar organizations; setting up homes and hostels women and orphans; setting up old age homes, day care centres and such other facilities for Senior citizens.
4. **Ensuring Environmental Sustainability and Ecological Balance:** Undertaking activities with the overall objective of

ensuring environmental sustainability and ecological balance; protection of flora and fauna; animal welfare; Agro-forestry: conservation of natural resources including maintaining quality of soil, air and water; renewable energy and other activities within this overall objective of environmental sustainability including contributions to funds set up Central Government rejuvenation of river Ganga.

5. **Protection of National Heritage:** Providing protection of national heritage, art and culture including restoration of buildings and sites of historical importance and works of art, setting up public libraries; promotion and development of traditional arts and handicrafts.
6. **Benefit of Armed Forces Veterans:** Taking up projects or activities intended for providing benefit of armed forces veterans, war widows and their dependents.
7. **Promote Rural, Nationally Recognized, Paralympic and Olympic Sports** by supporting training for attaining excellence in all areas of sports.
8. **Contribution to the Prime Ministers National Relief Fund or and other Funds** set up by the Central Government for socio economic development and relief and welfare of the scheduled castes, the scheduled tribes, other backward classes, minorities and women.
9. **Providing financial assistance to Technology Incubators,** located within academic institutions duly approved by the Central Government for this purpose.
10. **Development Projects** for rural areas and areas declared by Government as slum areas.
11. **Prevention of Child Abuse and Child Labour** to ensure education for all kids and providing them facilities/support to the families to help them sending kids to the schools and thereby prevent child abuse & child labour.
12. **Support to Swatch Bharat Mission** by constructing toilets for the poor, e-toilets at public places, support for re-cycling of plastic, e-waste etc.
13. **Promotion of Digitization:** In line with the Government of India's move towards higher digitization, with focus digitization in rural and semi urban areas.

The above objectives are broad based, and will be construed in a liberal manner within the framework of the Act.

Core CSR activities for the Financial Year 2019-20 were as follows;

- Youth engagement
- Education
- Promoting Vocational Skills
- Healthcare
- Women empowerment
- Digitization

- Support to Swatch Bharat Mission

The detailed policy on CSR of the Bank is published in the Bank's website, www.federalbank.co.in.

2. The Composition of the CSR Committee

As on March 31, 2020, CSR Committee consists of:

- Mr. K Balakrishnan (Chairman)
- Mr. A. P Hota (Independent Director)
- Mr. Shyam Srinivasan (Managing Director & Chief Executive Officer)
- Mr. Ashutosh Khajuria (Executive Director)

3. Average net profit before tax of the Company for the last three financial years

CSR Allocation

PBT	₹ (in crores)
PBT for the FY '19	1,907.25
PBT for the FY '18	1,343.86
PBT for the FY '17	1,306.50
Average PBT	1519.20
CSR Allocation FY 2019-20	30.38

4. Prescribed CSR Expenditure (two per cent of the amount as in Item 3 above)

₹30.38 Crores

5. Unspent Portion

The amount to be spent by the Bank towards CSR for FY 2019-20 as per Section 135 of the Companies Act, 2013 is ₹30.38 Crores.

With respect to FY 2015-16, the prescribed CSR allocation was ₹26.18 Crores, while actual spent was ₹12.30 Crores. Ministry of Corporate Affairs (MCA), vide letter dated 16.04.2018, instructed Bank to submit clarifications in this regard. In response to Bank's clarifications vide letter dated 02.05.2018 & 27.02.2019, MCA vide letter dated 17th July 2019 bearing ref. F. No. 20(P)/01/2018-CSR ordered for a personal hearing with the representatives of the Federal Bank, to demonstrate Bank's compliance with the provisions of Corporate Social Responsibility under Companies Act, 2013 read with rules framed there under (**the Act**) for the Financial Year 2015-16.

In furtherance of the above, Bank had a personal hearing at MCA offices on August 08, 2019 wherein MCA had permitted the Bank to utilize the unspent amount of CSR contribution for FY 2015-16 amounting to ₹13.88 Crores ("**Unspent Amount**"), within a period of six (6) months and permitted to utilize the unspent amount through the Federal Bank Hormis Memorial Foundation (trust). Further, Bank had transferred the Unspent Amount of ₹13.88 Crores to the Trust, special purpose vehicle carrying out the Bank's CSR activities.

Hence, total CSR funds for FY 2019-20 are structured as follows:

CSR mandatory allocation for FY 2019-20	₹30.38 Crores
Unspent Portion of FY 2015-16	₹13.88 Crores
Total	₹44.26 Crores

The Bank confirm that the unspent portion pertaining to the year 2015-16 were spent during FY 2019-20 for projects which are in consonance with activities specified in Schedule VII of the Companies Act, 2013 (the Act) and are accordingly, in compliance with the relevant provisions of the Act. The Bank has also obtained relevant internal approvals, as required, for the purposes of sanctioning the utilisation of the Unspent Amount in the manner envisaged under the Plan.

Total amount spent by the Bank in FY 2019-20 towards CSR was

₹42.40 Crores. This includes the amount set aside totalling to ₹9.98 Crores for on-going projects which are partially completed/delayed/postponed in the wake of Covid 19 and subsequent lockdown in the country. The Bank had transferred ₹9.98 Crores to Federal Bank Hormis Memorial Foundation Account which will be utilized for the approved projects.

Through various projects which are already sanctioned, Bank will be thoughtfully spending the CSR funds earmarked for the purpose. The ratio adopted was 80:20, wherein 80% of the CSR funds will be utilized for long term sustainable projects and 20 % of the funds will be utilized to meet location specific requests. The Bank had also embarked on some major projects last year in the field of education, Youth engagement, skill development, support to differently abled etc. By choosing long term sustainable projects, Bank has taken an approach which brings steady and long lasting impact on the society.

Details of CSR spent during the financial year 2019-20

(1) Sl.No	(2) CSR project or activity identified	(3) Sector in which the project is covered	(4) Projects or programs (1) Local area or other (2) Specify the State and district where projects or programs was undertaken	(5) Amount outlay (budget) project or program wise (₹ in lakhs)	(6) Amount spent on the projects or programs Sub heads: (1) Direct expenditure on projects or programs (2) Overheads (₹ in lakhs)	(7) Cumulative expenditure up to the reporting period (₹ in lakhs)	(8) Amount Spent direct or through implementing agency (₹ in lakhs)
1	Education, & Skill Building	Promoting Education, Vocational Skills, Youth Engagement	Pan India	2365	2034.28	5844.01	Direct-100.83 Implementing agency- 1933.45
2	Scholarships through Federal Bank Hormis Memorial Foundation	Promoting Education	Kerala, Tamil Nadu,	227	197.38	851.20	Direct
3	Health Care & Safety	Health care, Preventive Health care	Pan India	470	499.90	878.64	Direct-119.48 Implementing agency-380.42
4	Welfare, Poverty Alleviation & Women empowerment	Eradicating hunger, Poverty, Setting up Homes	Pan India	550	544.02	698.32	Directly by the Bank . As given in column (6)
5	Environment Sustainability/ Swachh Bharat	Environment Conservation	Pan India	122	148.39	369.00	Direct-77.03 Implementing agency-71.36
6	Rural Development	Rural & Social Development, welfare of SC/ST	Pan India	350	106.49	443.73	Direct
7	Disaster Management	Flood Relief, Covid-19	Pan India	557.25	586.56	586.56	Direct
8	Sports & Culture	Promotion of Sports, Culture, Traditional Arts	Pan India	136.10	105.60	105.60	Direct-2.60 Implementing agency-103.00
9	Miscellaneous	Office Expenses, Salary paid to Head CSR		12	17.17	37.13	Direct
	Total			4789.35	4239.79	9814.19	

Implementing agency details

1. Education & Skill Building-Times of India, Dainik Bhaskar, Mathrubhumi Printing & Publishing Co, Hindustan Times, SB Global Educational Resources Pvt Ltd, SOS Childrens Village, Malayala Manorama Printing & Publishing Co Ltd, Petals Globe Foundation, K P Hormis Charitable Society, Light of Life Trust, Drshtikona Consultancy & Programme Management Services Pvt Ltd.
2. Healthcare & Safety- Raksha Society, Sree Chitra Tirunal Institute for Medical Sciences and Technology, Paryas Society (Sansad Mobile Swastya Sewa), Adarsh Charitable Trust, Academy of Magical Sciences, Thrissur Municipal Corporation, Rotary Club of Aluva, Asian Cancer Foundation, Fourth Wave Foundation.
3. Welfare & Poverty Alleviation- Akshaya Patra Foundation, Warrior Foundation, Rotary Club Cochin Central, YMCA, Alangad.
4. Environment Sustainability & Swatch Bharat- Mathrubhumi Printing & Publishing. Co (SEED Programme), Kochi Design Week, Green Storm Foundation.
5. Sports & Culture-DC Kizhakkemury Foundation, North East Foot Ball Foundation.

Corporate Social Responsibility is an area that can help, build value system among employees and make them feel part of social change. With this objective, the Bank had decided to involve staff members as part of our employee social responsibility initiatives. As part of this, welfare projects were successfully completed with the active participation of employees pan India on Founder's Day. Many other projects were successfully completed with the active participation of employees across the country such as Village Adoption & Digitization of four villages (Mankol-Gujarat, Gudha-Haryana, Venmony-Kerala & Mardhala-Karnataka). We have initiated a lot of developmental/infrastructural activities in all villages, and the culmination of the programme in Villages Mankol, Gudha & Venmony scheduled in March 2020 had to postpone in the wake of Covid19 outbreak and subsequent declaration of Lockdown. To meet the location specific requests emanating from the field, 20% of the total CSR budget would be earmarked. Several major projects that can have long term impact were selected during the year; some of the major initiatives rolled out during the year were extension of Speak for India Debating

Programme for students to 3 more states viz., Gujarat, West Bengal & New Delhi in addition to the existing 4 states of Kerala, Karnataka, Maharashtra & Tamilnadu. The initiative gave a platform for many students to develop their communication skills and confidence levels. Bank started the Federal Skill Academy at Ernakulum, Coimbatore, Kolhapur & Karnal aimed at up skilling hundreds of youth in alignment with the Skill India Mission of the Government. In line with our commitment to conserve environment and natural resources we partnered with Mathrubhumi for the SEED project. Apart from this we also supported several organizations across India who is engaged in Philanthropic/social activities. Our objective remains to associate with projects that help to uplift the downtrodden and the needy sections in the society and to passionately involve in such activities that bring about obvious positive changes in the society that will nurture and nourish the future generations and aim at creating significant difference in the overall socio-economic development and environment sustainability.

The CSR expenditure for 2019-20 was ₹28.51 crores as against gross amount required to be spent is of ₹30.38 crores. In addition to the above spent, the Bank had also spent ₹13.88 crores during FY 2019-20, the unspent amount of CSR contribution for FY 2015-16. The unspent amount of ₹1.87 Crores pertaining to FY 2019-20 will be added to the CSR corpus fund and the same will be spent in the coming years.

The Bank had in its pipeline various CSR projects which are identified to give sustained support to the society. Our objective through corporate social initiatives is to bring out marked difference in the upliftment of the society and the world we live in. Bank is passionately involved in such activities that create obvious positive changes in the society and will nurture and nourish the future generations.

The CSR Committee confirms that the implementation and monitoring of CSR Policy is in compliance with CSR objectives and Policy of the Bank.

Sd/-

Mr. Shyam Srinivasan
(Managing Director & Chief Executive Officer)

Sd/-

Mr. K Balakrishnan
(Chairman, CSR Committee)

Annexure – II

FORM NO. MR-3

SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED 31.03.2020

[Pursuant to section 204(1) of the Companies Act, 2013 and Rule No.9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

**To,
The Members,
The Federal Bank Limited
Federal Towers, P.B No.103
Alwaye, Kerala - 683101**

We, SEP & Associates, Company Secretaries, have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by The Federal Bank Limited (CIN: L65191KL1931PLC000368) (hereinafter called the "Bank"). Secretarial Audit was conducted for the financial year ended on March 31, 2020 in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the books, papers, minute books, forms and returns filed and other records maintained by the Bank and also the information provided by the Bank, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the Bank has, during the audit period covering the financial year ended on March 31, 2020, complied with the statutory provisions listed hereunder and also that the Bank has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Bank for the financial year ended on 31st March 2020, according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made thereunder;
- (ii) The Securities Contracts (Regulation) Act, 1956 and the rules made thereunder;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992:-

- (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
- (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
- (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
- (d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014;
- (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
- (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
- (g) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;
- (h) The Securities and Exchange Board of India (Depositories and Participants) Regulations, 2018;
- (i) The Securities and Exchange Board of India (Bankers to the Issue) Regulations, 1994;
- (j) The Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2014;
- (vi) As informed to us, the following other laws are specifically applicable to the Bank:
 1. Reserve Bank of India Act, 1934;
 2. The Banking Regulations Act, 1949 and Rules, Notifications and Circulars issued by Reserve Bank of India from time to time;
 3. The Banking Ombudsman Scheme, 2006;
 4. The Bankers' Books Evidence Act, 1891;
 5. The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act, 2002;
 6. The Deposit Insurance and Credit Guarantee Corporation Act, 1961;
 7. Credit information Companies (Regulation) Act, 2005.

We have also examined compliance with the applicable clauses of the following:

- (i) Secretarial Standards 1 and 2 issued by The Institute of Company Secretaries of India;
- (ii) The Listing Agreements entered into by the Bank with Bombay Stock Exchange and National Stock Exchange of India Limited;

During the period under review, the Bank has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above.

During the period under review, provisions of the following regulations were not applicable to the Bank:

- (i) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009

(ii) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998

We further report that the Board of Directors of the Bank is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all directors to schedule the Board Meetings in compliance with the provisions of Section 173(3) of the Companies Act, 2013, agenda and detailed notes on agenda were sent at least seven days in advance and where the same were given at Shorter Notice than 7 (seven) days, proper consent thereof were obtained and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

Decisions at the meetings of the Board of Directors of the Bank were carried through on the basis of majority and the same was captured and recorded as part of the minutes. There were no dissenting views by any member of the Board of Directors during the period under review.

We further report that there are adequate systems and processes in the Bank commensurate with its size and operations of the Bank to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

We further report that during the audit period there were no instances of:

- i. Issuance of securities including Public/Right/Preferential issue of shares other than Equity shares issued under Employee Stock Option Scheme(s) of the Bank and issue of Non-Convertible Debt Securities;
- ii. Redemption/Buy-back of securities
- iii. Merger/amalgamation/reconstruction;
- iv. Foreign technical collaborations.

This report is to be read with Annexure A of even date and the same forms an integral part of this report.

For SEP & Associates

UDIN: F010085B000283622

Company Secretaries

(ICSI Unique Code: P2019KE075600)

Sd/-

CS EP Madhusudhanan

Partner

COP No. 21874, FCS: F10085

Date: May 26, 2020

Place: Kochi

ANNEXURE A TO THE SECRETARIAL AUDIT REPORT OF EVEN DATE

To
The Members
The Federal Bank Limited
Federal Towers, P B No. 103
Alwaye, Ernakulam, Kerala-683101

Our Secretarial Audit Report of even date is to be read along with this letter.

1. The compliance of the provisions of all laws, rules, regulations, standards applicable to The Federal Bank Limited (hereinafter called the "Bank") is the responsibility of management of the Bank. Our examination was limited to the verification of the records and procedures on test check basis for the purpose of issue of the Secretarial Audit Report.
2. Maintenance of the Secretarial and other records of applicable laws is the responsibility of the management of the Bank. Our responsibility as Secretarial Auditors is to issue Secretarial Audit Report, based on the audit of the relevant record maintained and furnished to us by the Bank, along with explanations where so required.
3. During the audit, we have followed the practices and process as were appropriate, to obtain reasonable assurance about the correctness of the contents of the Secretarial and other records, legal compliance mechanism and corporate conduct. We believe that the process and practices we followed provide a reasonable basis for our Secretarial Audit Report.
4. The correctness and appropriateness of financial records and Books of Accounts of the Bank have not been verified.
5. We have obtained the Management representation about the Compliance of laws, rules and regulations and happening of events etc., wherever required. The Secretarial Audit Report is neither an assurance as to the future viability of the Bank nor of the efficacy or effectiveness with which the management as conducted the affairs of the Bank.
6. While forming an opinion on compliance and issuing the Secretarial Audit Report, we have also taken into consideration the compliance related actions taken by the Bank after March 31, 2020 but before issue of the Report.
7. We have considered actions carried out by the Bank based on independent legal/professional opinion as being in compliance with law, wherever there was scope for multiple interpretations.

For SEP & Associates

UDIN: F010085B000283622

Company Secretaries
(ICSI Unique Code: P2019KE075600)
Sd/-

CS EP Madhusudhanan

Partner
COP No. 21874, FCS: F10085

Place: Kochi

Date: May 26, 2020

Annexure III
**Extract of Annual Return
as on the financial year ended 31.03.2020**

[Pursuant to Section 92(3) of the Companies Act, 2013, and Rule 12(1) of the Companies (Management and Administration) Rules, 2014]

FORM NO. MGT - 9

I. Registration and Other Details	
CIN	L65191KL1931PLC000368
Registration Date	April 23, 1931
Name of the Company	The Federal Bank Limited
Category/Sub-category of the Company	Company having Share Capital Non-Government Company
Address of the Registered Office and contact details	Federal Towers, P B No. 103, Aluva, Ernakulam- 683 101, Tel-0484 2630996 Email: secretarial@federalbank.co.in
Whether Listed company	Yes
Name address and contact details of Registrar and Transfer Agent	M/s. Integrated Registry Management Services Private Limited, 2nd Floor, Kences Towers, No.1, Ramakrishna Street, Off : North Usman Road, T. Nagar, Chennai-600017 Phone No: 044-28140801-03 Email: csdstd@integratedindia.in

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10% or more of the total turnover of the company shall be stated:-

Sl. No	Name and Description of main products / services	NIC Code of the Product/ Service	% to total turnover of the Bank
1	Banking services and Financial Services	64191	100%

III. PARTICULARS OF SUBSIDIARY AND ASSOCIATE COMPANIES

Sl. No	Name and address of the Company	CIN/GLN	Holding /subsidiary/ associate	% of Shares held	Applicable Section
1.	Fedbank Financial Services Limited	U65910KL1995PLC008910	Subsidiary	74.00%	2(87)
2.	Federal Operations and Services Limited	U74999KL2018PLC055298	Subsidiary	100.00%	2(87)
3	IDBI Federal Life Insurance Company Limited	U66010MH2007PLC167164	Associate	26.00%	2(6)
4	Equirus Capital Private Limited	U65910MH2007PTC172599	Associate	8.74%	2(6)

IV. SHAREHOLDING PATTERN (Equity Share Capital Break up as percentage of Total Equity)

(i) Category-wise Shareholding

Category of Shareholder		No. of shares held at the beginning of the year (as on 01.04.2019)				No. of shares held at the end of the year (as on 31.03.2020)				% Change during the year
		Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A	SHAREHOLDING OF PROMOTER AND PROMOTER GROUP									
(1)	Indian									
a	Individual/Hindu Undivided Family	0	0	0		0	0	0		
b	Central Government/State Government(s)	0	0	0		0	0	0		
c	Bodies Corporate	0	0	0		0	0	0		
d	Financial Institutions/Banks	0	0	0		0	0	0		
e	Any other(specify)	0	0	0		0	0	0		
	Sub Total A(1)	0	0	0	0.000	0	0	0	0.000	
(2)	Foreign									
a	Individual(Non Resident/ Foreign Individuals)	0	0	0		0	0	0		
b	Bodies corporate	0	0	0		0	0	0		
c	Institutions	0	0	0		0	0	0		
d	Any other(specify)	0	0	0		0	0	0		
	Sub Total A(2)	0	0	0	0.000	0	0	0	0.000	
	Total Shareholding of promoter and Promoter Group(A)=A(1)+A(2)	0	0	0		0	0	0		
B	Public Shareholding									
(1)	Institutions									
a	Mutual Funds/UTI	439017853	74750	439092603	22.120	509293259	74750	509368009	25.560	
b	Financial Institutions/Banks (Including Foreign Banks)	57399630	95500	57495130	2.900	92629865	95500	92725365	4.650	
c	Central Government/State Government(s)	10	0	10	0.000	510	0	510	0.000	
d	Venture Capital Funds									
e	Insurance Companies	32566530	0	32566530	1.640	115829747	0	115829747	5.810	
f	Foreign Institutional Investors	753544738	203500	753748238	37.970	653152713	0	653152713	32.780	
g	Foreign Venture Capital Investors	0	0	0	0.000	0	0	0	0.000	
h	Any other(specify)	0	0	0	0.000	0	0	0	0.000	
	Alternative Investments	7829371	0	7829371	0.390	9543991	0	9543991	0.480	
	Sub Total B(1)	1290358132	373750	1290731882	65.020	1380450085	170250	1380620335	69.290	4.270

Category of Shareholder		No. of shares held at the beginning of the year (as on 01.04.2019)				No. of shares held at the end of the year (as on 31.03.2020)				% Change during the year
		Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
(2)	Non-Institutions									
a	Bodies Corporate	86157438	289320	86446758	4.350	23002208	284180	23286388	1.170	
b	Individuals(Resident/NRI/ Foreign National)	0	0	0	0.000	0	0	0	0.000	
(i)	Individual shareholders holding Nominal share Capital upto ₹1 Lakh	286304046	21330869	307634915	15.500	275270502	18533889	293804391	14.740	
(ii)	Individual shareholders holding Nominal share Capital above ₹1 Lakh	232064700	1833020	233897720	11.780	224896499	1551040	226447539	11.360	
c	Any other(specify)									
a	Limited Liability Partnership	4388427	0	4388427	0.220	3274470	0	3274470	0.160	
b	Trust	8094021	58800	8152821	0.410	9559239	58800	9618039	0.480	
c	Investor Education and Protection Fund	5680842	0	5680842	0.290	5956062	0	5956062	0.300	
d	Foreign Body Corporate	0	0	0	0.000	1067452	0	1067452	0.050	
e	Clearing Member	10269951	0	10269951	0.520	15295843	0	15295843	0.770	
f	Directors	8568595	0	8568595	0.430	1088595	0	1088595	0.050	
g	Foreign National / QFI	4617	0	4617	0.000	0	0	0	0.000	
h	Foreign Portfolio Investor Individual Cat-3	0	0	0	0.000	1396	0	1396	0.000	
i	Foreign Portfolio Investor Corporate Cat-3	0	0	0	0.000	2100	0	2100	0.000	
j	Foreign Institutional Investors	0	0	0	0.000	0	203500	203500	0.010	
k	Association of Persons	0	0	0	0.000	920	0	920	0.000	
l	NBFC's Registered with RBI	0	0	0	0.000	194901	0	194901	0.010	
	Sub Total B(2)	641532637	23512009	665044646	33.500	559610187	20631409	580241596	29.10	-4.400
	Total Public Share Holding (B)=B(1)+B(2)	1931890769	23885759	1955776528	98.530	1939860955	20598159	1960459114	98.380	-0.150
	Total (A)+(B)	1931890769	23885759	1955776528	98.530	1940060272	20801659	1960861931	98.400	
C	Shares held by Custodians for GDRs and ADRs	29273675	0	29273675	1.470	31802641	0	31802641	1.600	0.130
	Grand Total (A)+(B)+(C)	1961164444	23885759	1985050203	100.000	1971862913	20801659	1992664572	100.000	0.000

(ii) Shareholding of Promoters

Sl No.	Shareholders Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in shareholding during the year
		No. of shares	% of total shares of the company	% of shares pledged / encumbered to total shares	No. of shares	% of total shares of the company	% of shares pledged / encumbered to total shares	
NIL								

(iii) Change in Promoters Shareholding

Sl No.		Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
	At the beginning of the year				
	Date wise Increase/ Decrease in Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment /transfer/ bonus/ sweat equity etc):	NIL			
	At the End of the year				

(iv) Shareholding Pattern of Top Ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs)

Sl No.	For Each of the Top 10 Shareholders	Shareholding at the beginning of the year April 01, 2019		Shareholding at the end of the year March 31, 2020	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1	ICICI Prudential	80051471	4.017	94934066	4.764
2	Life Insurance Corporation of India	45799910	2.298	90406887	4.537
3	Yusuffali Musaliyam Veetil Abdul Kader	74828640	3.755	77600640	3.894
4	Reliance Capital Trustee Co Ltd	70083976	3.517	69773482	3.502
5	HDFC Trustee Company Ltd	57758817	2.899	68052817	3.415
6	Rakesh Jhunjhunwala	44721060	2.244	60321060	3.027
7	HDFC Life Insurance Company Limited	31052248	1.558	56664091	2.844
8	East Bridge Capital Master Fund Limited	48345447	2.426	48345447	2.426
9	Fidelity Investment Trust	34320594	1.722	43436094	2.180
10	East Bridge Capital Master Fund I Ltd	37729342	1.893	37729342	1.893

Note:

- The shares of the Bank are substantially held in dematerialized form, and are traded on a daily basis and hence the date wise increase/decrease in shareholding is not indicated.
- The top ten shareholders after consolidation of shares held by the institutions/individuals based on the PAN, as on March 31, 2020 is considered for the above purpose.

V.Shareholding of Directors and Key Managerial Personnel

For Each of the Directors and KMP	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
	No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
Mr. Shyam Srinivasan Managing Director and Chief Executive Officer				
Shareholding at the beginning of the year (as on 01.04.2019)	8208595	0.412		
Decrease (Sale of shares on 09.03.2020)*	4500000	0.226	3708595	0.186
Decrease (Sale of shares on 13.03.2020)*	1000000	0.050	2708595	0.136
Decrease (Sale of shares on 24.03.2020)*	1910000	0.096	798595	0.040
Shareholding at the end of the year (as on 31.03.2020)			798595	0.040
Mr. Ashutosh Khajuria Executive Director & Chief Financial Officer				
Shareholding at the beginning of the year (as on 01.04.2019)	322000	0.016		
Decrease (Sale of shares on 15.05.2019)	100000	0.005	222000	0.011
Increase (Purchase of ESOS shares on 11.11.2019)	100000	0.005	322000	0.016
Decrease (Sale of shares on 02.12.2019)	70000	0.001	252000	0.013
Shareholding at the end of the year (as on 31.03.2020)			252000	0.013
Mr. Krishnamurthy Balakrishnan Independent Director				
Shareholding at the beginning of the year (as on 01.04.2019)	38000	0.002		
Increase (Purchase of shares)	22500	0.001		
Shareholding at the end of the year (as on 31.03.2020)			60500	0.003
Mr. Girish Kumar G Company Secretary & Compliance Officer (Retired on 30.11.2019)				
Shareholding at the beginning of the year (as on 01.04.2019)	21890	0.001		
Increase (Purchase of shares on 10.05.2019)	2000	0.000	23890	0.001
Decrease (Sale on 24.05.2019)	-2250	0.000	21640	0.001
Decrease (Sale on 31.05.2019)	-1200	0.000	20440	0.001
Decrease (Sale on 28.06.2019)	-2000	0.000	18440	0.001
Shareholding at the end of the year (as on 31.03.2020)			18440	0.001

* The sale of shares was triggered as a consequence of the margin calls on the loans taken for the purchase of shares under ESOS as intimated to the Stock Exchanges on March 13, 2020 and March 24, 2020 in respect of the said sale of 55,00,000 (45,00,000 & 10,00,000) and 19,10,000 shares respectively.

NOTE

- None of the Non-Executive Independent Directors of the Bank hold shares of the Bank as at beginning and at end of the year except Mr. K Balakrishnan who holds 60,500 shares as on March 31, 2020.
- For purchase on account of ESOS, the date of allotment is considered.

VI. INDEBTEDNESS

Indebtedness of the Company including interest outstanding / accrued but not due for payment

(₹ in Crore)

	Secured Loans excluding deposits	Unsecured Loans	Total Indebtedness
Indebtedness at the beginning of the financial year			
i) Principal Amount	4,918.22	747.12	5,665.34
ii) Interest due but not paid	-	-	-
iii) Interest accrued but not due	1.18	41.83	43.01
Total (i+ ii+ iii)	4,919.40	788.95	5,708.35
Change in Indebtedness during the financial year			
• Addition	339,811.18	64,209.81	404,020.99
• Reduction	336,937.48	64,458.33	401,395.81
Net Change	2,873.70	-248.52	2,625.18
Indebtedness at the end of the financial year			
i) Principal Amount	7,791.92	498.60	8,290.52
ii) Interest due but not paid	-	-	-
iii) Interest accrued but not due	31.00	0.00	31.00
Total (i+ii+iii)	7,822.92	498.60	8,321.52

VII. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Managing Director, Whole – time Directors and / or Manager

Sl. No	Particulars of Remuneration	Name of MD/WTD/Manager			Total Amount (in ₹)
		Mr. Shyam Srinivasan (MD & CEO)	Mr. Ashutosh Khajuria (ED & CFO)	Ms. Shalini Warrier (ED & COO)	
1.	Gross salary				
(a)	Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	1,51,33,333	24,18,819	23,47,047	1,98,99,199
(b)	Value of perquisites u/s 17(2) Income-tax Act, 1961	17,79,049	12,54,413	6,99,600	37,33,062
(c)	Profits in lieu of salary under section 17(3) Income-tax Act, 1961				
2.	Stock Option (perquisite value of ESOS)	-	35,92,500	-	35,92,500
3.	Sweat Equity	NIL	NIL	NIL	NIL
4.	Leave Encashment	10,00,000	5,66,667	6,66,667	22,33,334
5.	Leave Travel Concession	7,48,233	4,00,000	4,00,000	15,48,233
6.	Commission As % of profit Others, specify...	NIL	NIL	NIL	NIL
7.	Others (PLI)	40,00,000	22,00,000	16,00,000	78,00,000
8.	Personal Fixed pay	-	51,85,484	49,10,753	1,00,96,236
	Total (A)	2,26,60,615	1,56,17,883	1,06,24,067	4,89,02,564
	Ceiling as per the Act	NA	NA	NA	NA

B. Remuneration to other Directors

Sl. No	Particulars of Remuneration	Name of Directors										Total Amount (in ₹)
		Mr. Dilip Sadarangani	CA. Nilesh Vikamsey	Ms. Grace Koshie	Ms. Shubha lakshmi Panse	Mr. C Balagopal	Mr. A P Hota	Mr. K Bala krishnan	Mr. Siddartha Sengupta	Mr. Manoj Fadnis	Mr. Sudarshan Sen	
1	Independent Directors Fee for attending board and committee meetings	1050000	830000	2350000	2100000	1475000	1895000	1365000	1630000	1390000	240000	14325000
	Commission	750000	750000	750000	750000	750000	750000	386301	-	-	-	4886301
	Others, please specify (Remuneration with RBI approval)	614384	-	720000	-	-	-	-	-	-	-	1334384
	Total (1)	2414384	1580000	3820000	2850000	2225000	2645000	1751301	1630000	1390000	240000	20545685
	Sweat Equity											
2	Other Non – Executive Directors	NIL										
	Fee for attending board committee meetings											
	Commission											
	Others, please specify											
	Total (2)	NA										
	Total (B) = (1+2)	2414384	1580000	3820000	2850000	2225000	2645000	1751301	1630000	1390000	240000	20545685
	Total Managerial Remuneration (A+B)											69448249
	Overall Ceiling as per the Act	NA										

C. Remuneration to Key Managerial Personnel other than MD/ MANAGER/ WTD

Sl. No	Particulars of Remuneration	Name of Key Managerial Personnel		Total Amount
		Mr. Samir P Rajdev (VP & Company Secretary) ¹	Mr. Girish Kumar Ganapathy (SVP cum Company Secretary) ²	
1.	Gross salary			
	a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	32,45,211	39,90,736	72,35,947
	b) Value of perquisites u/s 17(2) Income-tax Act, 1961	32,400	90,600	1,23,000
	c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	-	-	-
2.	Stock Option (perquisite value of ESOS)	-	70,000	70,000
3.	Sweat Equity	-	-	-
4.	Leave Travel Concession	-	2,00,000	2,00,000.00
5.	Leave Encashment	-	13,03,008	13,03,008
6.	Commission (as % of profit)	-	-	-
7.	Others , please specify Performance Linked Incentive	1,00,000	5,25,000	6,25,000
	Total	33,77,611	61,79,344	95,56,955

¹ Mr. Samir P Rajdev appointed as the Company Secretary and Compliance Officer of the Bank w.e.f December 01, 2019

² Mr. Girish Kumar Ganapathy retired from the post of Company Secretary and Compliance Officer of the Bank w.e.f. November 30, 2019

VIII. Penalties / Punishment / Compounding of offences:

Type	Section of the Companies Act	Brief description	Details of penalties / punishment / compounding	Authority (RD / NCLT / Court)	Appeal made, if any (give details)
			fees imposed		
A. Company					
Penalty					
Punishment			None		
Compounding					
B. Directors					
Penalty					
Punishment			None		
Compounding					
C. Other Officers in default					
Penalty					
Punishment			None		
Compounding					

Annexure IV

DIVIDEND DISTRIBUTION POLICY

I. OBJECTIVE:

Securities and Exchange Board of India (SEBI) has, on July 08, 2016, notified the SEBI (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2016. Through this notification, SEBI has inserted Regulation 43A after Regulation 43 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 {SEBI (LODR) Regulations}. As per the regulation, the top five hundred listed entities based on market capitalization, as on March 31 of every financial year, are required to formulate a Dividend Distribution Policy which should be disclosed in their annual reports and on their website.

In terms of Regulation 43A of SEBI (LODR) Regulations, it is mandatory for the Bank to frame the Dividend Distribution Policy, as it falls within the top 500 listed entities as on March 31, 2019 in terms of market capitalization. Accordingly, the following 'Dividend Distribution Policy' has been framed, approved and adopted by the Board of Directors of the Bank.

II. POLICY:

1. The Policy will be called as 'Federal Bank Dividend Distribution Policy'.

2. General Principles of the Bank Regarding Distribution of Dividend

The intent of the Bank is to reward the shareholders of the Bank by sharing a portion of the profits, whilst also ensuring that sufficient funds are retained for growth of the Bank. The dividend for each year would be recommended by the Board at its discretion within the set guidelines of Government and Reserve Bank of India and after taking into account the financial performance of the Bank, its future plans, internal and external factors, compliance with Companies Act, 2013 and its rules, statutory restrictions, etc, for approval by the shareholders in General Meeting.

3. Eligibility Criteria for Declaration of Dividend

As per the guidelines (DBOD.NO.BP.BC.88/ 21.02.067/2004-05 dated May 04, 2005), issued by Reserve Bank of India, Bank will be eligible to declare dividends only when it complies with the following minimum prudential requirements:

The bank should have:

- CRAR of at least 9% for preceding two completed years and the accounting year for which it proposes to declare dividend.
- Net NPA less than 7%.

In case any bank does not meet the above CRAR norm, but is having a CRAR of

at least 9% for the accounting year for which it proposes to declare dividend, would be eligible to declare dividend provided its Net NPA ratio is less than 5%.

- i) The bank should comply with the provisions of Sections 15 and 17 of the Banking Regulation Act, 1949.
- ii) The bank should comply with the prevailing regulations/ guidelines issued by RBI, including creating adequate provisions for impairment of assets and staff retirement benefits, transfer of profits to Statutory Reserves etc.
- iii) The proposed dividend should be payable out of the current year's profit.
- iv) The Reserve Bank has not placed any explicit restrictions on the bank for declaration of dividends.

4. Quantum of Dividend Payable:

The Bank, if it fulfils the eligibility criteria set out at paragraph No.3 above, may declare and pay dividends subject to the following:

- i) The dividend payout ratio shall not exceed 40 % and shall be as per the matrix furnished in **Annexure**.
[Dividend payout ratio shall be calculated as a percentage of 'dividend payable in a year' (excluding dividend tax) to 'net profit during the year'.]
- ii) In case the profit for the relevant period includes any extra-ordinary profits/ income, the payout ratio shall be computed after excluding such extra-ordinary items for reckoning compliance with the prudential payout ratio.
- iii) The financial statements pertaining to the financial year for which the bank is declaring a dividend should be free of any qualifications by the statutory auditors, which have an adverse bearing on the profit during that year. In case of any qualification to that effect, the net profit should be suitably adjusted while computing the dividend payout ratio.

5. Interim Dividend

Bank may also declare and pay interim dividends out of the relevant accounting period's profit without prior approval of RBI if the minimum criteria prescribed in paragraph 3 above and the other requirements prescribed in paragraph 4 above are satisfied, and the cumulative interim dividend(s) are within the prudential cap on dividend payout ratio prescribed by RBI, computed for the relevant accounting period. However, declaration and payment of interim dividends beyond this ceiling requires RBI's prior approval.

6. Board Oversight

The interests of all stakeholders and the following aspects shall be taken into account while deciding on the proposals for declaring dividend:

- a) The interim dividend paid, if any;
- b) The Risk Based Supervision findings of Reserve Bank of India with regard to divergence in identification of NPAs, shortfall in provisioning;
- c) The auditors' qualification pertaining to the statement of accounts;

- d) The Basel III capital requirements; and
- e) The Bank's long term growth plans.

7. Other parameters in terms of Regulation 43A of SEBI (LODR) Regulations:

a) The circumstances under which the shareholders of the listed entities may or may not expect dividend

The Board of the Bank may not recommend any dividend in the event of inadequacy of profits or whenever the Bank has incurred losses or if the eligibility criteria for recommendation of dividend has not been met by the Bank, including any regulatory restriction placed on the Bank on declaration of dividend or if the Board strongly believes the need to conserve capital for growth or for other exigencies.

b) The financial parameters that shall be considered while declaring dividend.

The Board of Directors of the Company would consider the following financial parameters before declaring or recommending dividend to shareholders:

- Any interim dividend paid.
- Internal capital planning framework / policy.
- Dividend payout trends (the dividend payout ratio will be calculated as a percentage of dividend (excluding dividend tax) recommended for the year to the net profit for that year).
- Tax implications if any, on distribution of dividends.
- Cost of raising funds from alternate sources of capital.
- Such other factors and/or material events which the Bank's Board may consider relevant.

c) Internal and external factors that shall be considered for declaration of dividend

Board will take into account various internal factors, such as business

growth plans, future capital requirements etc. The decision of the Board regarding dividend shall be final.

The dividend payout decision of the Bank will also depend on certain external factors such as the state of the economy of the country, compliance with Companies Act, 2013 and its rules, other statutory and regulatory provisions, shareholder expectations including individual shareholders, tax regulations including the treatment of deferred tax assets etc. as may be applicable at the time of declaration of the dividend.

d) Policy as to how the retained earnings shall be utilized

The retained earnings will mainly be utilized for the purpose of the Bank's growth plans, improvement in CRAR and such other purposes as per the guidelines issued by RBI and Government of India from time to time.

e) Parameters that shall be adopted with regard to various classes of shares:

Presently authorized share capital of the Bank comprises of Equity Shares only. As and when the Bank issues other kind of shares, the Board of Directors may suitably amend this Policy.

8. Review of Policy

The Board of Directors of the Bank will review the policy annually. If the Board proposes to declare dividend on the basis of criteria in addition to those specified in the policy, or proposes to modify the criteria, it shall disclose such changes along with the rationale for the same on the Bank's website and in the Annual Report.

9. Disclosure of Policy

The policy will be available on the Bank's website and will also be disclosed in the Bank's Annual Report.

Annexure

Matrix of Criteria as laid out by RBI for maximum permissible range of Dividend Payout Ratio
(As per RBI Circular No. RBI/2004-05/451; DBOD.NO.BP.BC. 88 /21.02.067/2004-05 dated May 04, 2005)

Category	CRAR	Net NPA Ratio			
		Zero	More than zero but less than 3%	From 3 % to less than 5%	From 5% to less than 7 %
		Range of Dividend Payout Ratio			
A	11% or more for each of the last 3 years	Up to 40	Up to 35	Up to 25	Up to 15
B	10% or more for each of the last 3 years	Up to 35	Up to 30	Up to 20	Up to 10
C	9% or more for each of the last 3 years	Up to 30	Up to 25	Up to 15	Up to 5
D	9% or more in the Current year	Up to 10	Up to 5	Nil	

Annexure V

The ratio of the remuneration of each director to the median employee's remuneration and other details in terms of sub-section 12 of Section 197 of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014

Sr. No	Requirements	Disclosure
1.	The Ratio of Remuneration of each Director to the Median Remuneration of Employees for the Financial Year	Mr. Shyam Srinivasan, MD & CEO - 28.40 Mr. Ashutosh Khajuria, ED & CFO - 15.07 Ms. Shalini Warriar, ED - ¹
2.	The percentage increase in remuneration of each director (MD/ED), Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the financial year	Mr. Shyam Srinivasan, MD & CEO - 68.19% Mr. Ashutosh Khajuria, ED & CFO - 35.63% Ms. Shalini Warriar, ED - ¹ Mr. Girish Kumar Ganapathy, SVP & CS - ²
3.	The percentage increase in the median remuneration of employees in the financial year.	9.07%
4.	The number of permanent employees on the rolls of company	12,496
5.	Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration	Average percentage increase made in the salary of employees other than the Key Managerial Personnels for the Financial Year 2019-20 was 9.07%. Remuneration of MD & CEO and ED & CFO were revised in FY 2019-20 as per the approval from RBI.
6.	The key parameters for any variable component of remuneration availed by the directors	The variable compensation for Managing Director & CEO and WTD's to be fixed based on organizational performance and KPAs set for the official. The organization's performance is charted based on the 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 will be paid purely based on performance and is measured through Score Cards for Managing Director & CEO / WTDs. The Score Card provides a mix of Financial and Non-Financial, Quantitative and Qualitative Metrics. KPAs to contain targets on Risk Adjusted Metrics such as RAROC, RARORAC, in addition to target on NPAs. While considering/ recommending the variable pay in respect of Managing Director & CEO and Whole Time Directors, serious supervisory observations (if any) shall be factored, which will be ensured through suitable processes.
7.	Affirmation that the remuneration is as per the remuneration policy of the Bank	Yes, it is confirmed.

¹Ms. Shalini Warriar was appointed as Executive Director of the Bank with effect from January 15, 2020. Since the remuneration in capacity as Executive Director is only for a part of the year, the ratio of her remuneration to median remuneration and percentage increase in remuneration are not included.

²Mr. Girish Kumar Ganapathy, SVP & CS, retired from the services of the Bank on November 30, 2019. Since the remuneration is only for a part of the year, percentage increase in his remuneration is not included. Further, Mr. Samir P Rajdev was appointed as the Company Secretary of the Bank with effect from December 01, 2019. Since the remuneration is only for a part of the year, percentage increase in his remuneration is also not included.

Note: All confirmed employees as on March 31, 2020 have been considered.

DIGI GOLD

Gold loans are gaining traction faster than other retail loan products. Federal Bank has been placing increased importance on its gold loan portfolio and has been innovating constantly to introduce new gold loan products that are convenient and customer friendly. Digi Gold Overdraft from Federal Bank is a unique online Gold Loan product that's just perfect for the digitized times we live in. Digi Gold Loan comes loaded with a wide range of attractions such as minimal paperwork and quick disbursement.




 Management Discussion & Analysis

Global Economic Scenario

Global economic growth registered 2.9% in 2019 (IMF), the weakest pace since the global financial crisis a decade ago, reflecting a series of shocks which had common repercussions across boundaries in spite of idiosyncratic factors in different countries. An array of events - trade tensions between US and China, delay in Brexit, an impending recession on account of global macro-financial conditions, oil market disruptions, geo-political tensions (Iran and North Korea), social unrest (Venezuela, Libya and Yemen), country specific risks in large emerging market economies such as India, Brazil, Russia and Mexico posed significant spillover risk to all major economies around the globe including advanced economies in Europe and other emerging market economies.

Central Banks across the globe reacted aggressively to the sluggish activity by reducing interest rates, which averted a deeper slowdown. The measures taken bolstered purchase of non-durable goods and services that supported job creation thus helping the economy to stay afloat. Concurrently, fears of recession in the US faded away with the correction in inverted US yield curve. Commodity market behaviour was inherently unpredictable induced by geopolitical risks due to which supply side could not establish a complementary relationship with demand.

The expectation of gradual recovery in global economy or substantial evidence of resisting a full-blown recession has become considerably muted due to the threat raised by Covid-19. The virus had spread to more than 200 countries in a very short span of time. Economies around the globe took time to realise the pandemic nature of the disease, for which heavy price is being paid in general. The severity of the global pandemic is highly ambiguous, but it is clear that the wider its spread, the more deadly and destructive the virus can become. It is expected to play a decisive role in moulding the future of global economy. The greater the odds of a global downturn, anticipated economic downturn could be deeper and the subsequent recovery could be weaker reflecting the devastation inflicted by the pandemic.

The crisis is unprecedented. The permanent output loss associated with the Novel Coronavirus and related containment measures are likely to exceed the losses from the Global Financial Crisis 2008-09. There is uncertainty on the duration and intensity of the pandemic and no single conventional method of stimulating economic activity may be effective to revive the economy. The current situation demands that the focus be on slowing down the spread of virus, protecting the precious lives and better preparedness by health care sector. The Global Economy is expected to experience its worst recession since

the Great Depression of the 1930s, leading to a dramatic shrinkage in growth. Reverberations of the recession may last for a few years, if the pandemic lasts long. It is expected that tight financial conditions persist which would, in turn, lead to job losses and insolvency of firms. The swift and substantial economic policy action taken in many countries to support people and the earliest timeframe within which a vaccine is developed may pin down the shape of recovery to be V/U/W or even a convoluted Swoosh type.

Indian Scenario

FY 20 started off on an optimistic note with the Government receiving stronger mandate for the second successive term, which raised hopes of continuity in policy and reforms framework. However, the economy was grappling with slow macro numbers throughout the year. India's GDP had grown at 5.2% in Q1, 4.4% in Q2, 4.1% in Q3 and 3.1% in Q4 aggregating to a growth of 4.2% for the full year. The cumulative IIP (Index of Industrial Production) for the period April-March 2019-20 has contracted by 0.7% over the corresponding period of the previous year. Trade deficit for the period April-January 2019-20 reduced to USD 133.27 Billion from USD 163.275 Billion of the corresponding period of the previous year because of reduction in oil price and reduced demand for imported goods.

Economy was going through a more than anticipated slowdown, as weakness in the real sector and stress in the financial sector were acting together to bring down the growth numbers. This deceleration in the economy was led by a sharp slowdown in gross fixed capital formation and sluggishness in private final consumption expenditure. A fall in major economic indicators such as industrial production, exports, bank credit, tax collections, freight movement, automobiles sales and electricity production in addition to slowing global growth and uncertainties emanating from trade conflict were pointing towards an inarguable slackening of growth.

The economy was facing an increasing propensity to save and a decreasing propensity to invest especially by private corporates, which forced the Government to use fiscal and monetary space to keep the economy it moving. Global market volatility and return to safe-haven have undoubtedly influenced Indian markets, which have put additional stress on the financial sector that already had constraints in uplifting the economy. If the pandemic does not subside within the first quarter, the economy may contract in FY21 resulting in permanent output loss of ₹16-25 Trillion or 10%-12% of GDP. Unemployment rates which were already at peak are set to rise to nearly 25% from the current stage. Possibilities of an economic contraction in FY21 cannot be ruled out in case of uneven health

recovery and austerity measures prompted by fiscal constraints. Therefore, it is of utmost priority that Governments at the Centre and States need to be extremely zealous through fiscal support to recoup the losses by supporting vulnerable firms and restore normalcy in the economy.

Indian Banking Industry

FY20 witnessed tremendous challenges in Indian Banking system because of curtailed credit growth and deterioration in asset quality. The growth in bank credit decelerated in FY20 across all major segments including Industry, Non-Food Credit, Agricultural and Allied Activities, Services Sector, Textiles and bigger Corporate players as well. Micro & Small Enterprises and Personal Loans were the exceptional segments, which continued to grow at a steady pace compared to FY19. Decline in credit growth is mainly imputed to the risk aversion of Banks by virtue of continued build-up of NPAs. The IBC mechanism has contributed to reduction in NPA from 11.2 percent in March 2018 to 9.3 percent in March 2019, but NPA ratio continued to remain at an elevated level of 9.3% in H1 of FY20.

The reluctance of Scheduled Commercial Banks to lend to the private sector was evident going by the amount invested in G-Sec in the first eight months of FY20. Investment in G-Sec went up by three times and Private sector lending came down by more than four-fifths compared to the corresponding period of the previous FY. Growth of credit from PSB's were much lower than that of Private Sector Banks and credit growth rate in PSB's were on gradually declining trend.

NBFC crisis has been a continuing story in FY20 as well. As the NBFCs support 30%-40% of total consumer financing, the liquidity crisis in NBFCs culminated in lower sales of automobiles, dwindling real estate and construction sector, sequentially leading to economic downturn. NBFCs account for nearly 25% of total lending from Banking System and Banks are wary of the spillover effects due to which they are sceptical to support the sector. The Government may look to introduce new schemes including infusion of long-term funds through players like LIC as the sector is shattered by multiple shocks over a period.

In spite of all these developments, the big picture for the Indian Economy looked assuring as it was going through a transition phase of cleaning up the financial system to improve and establish a sharpened credit culture. The superior system appeared to improve the effectiveness of the Banks' debt recovery mechanism. Reforms like Insolvency and Bankruptcy Code instil a fear in promoter of losing the company unless equity is infused into the firm along with reasonable intervention from the Government to complete the recovery process within feasible timelines. All these prospects were impaired by Covid-19, which has impelled a long shadow over a much anticipated mild recovery of the economy in FY21 with WHO declaring it as a pandemic.

The initial blow of an external event briskly translated into a domestic dismay, as the Government announced a complete lockdown to curb the social spread of the pandemic. Decline in economic activity and rise in unemployment due to the pandemic have started leading towards deterioration of household and corporate finance, which can lead to solvency issues for a major number of institutions. Losses through NPA or decline in revenue can affect bottom line of banks, which may force capital infusion into PSB's and Private Sector. Bank credit growth is expected to slow down to 2-3% in Fiscal 2021. Non-linearity of events and the risk of second wave can drive global economy towards the deepest recession in decades. The Government and RBI are expected to promulgate concrete plans and measures to overcome these turbulent times so that the economy weathers from the pandemic with limited damages.

Review of the Bank's Business Performance

Even though the macro factors stood weak both on global and domestic fronts, your Bank delivered a robust operating performance with operating profit growth of 16% and net profit growth of 24%. Asset quality of the Bank has improved substantially. To face any unfavourable situation that may arise due to the Covid-19 pandemic, the Bank has started increasing the provisions in order to strengthen the Balance Sheet.

On the business front, the Bank has achieved robust growth with total business crossing ₹ 2.5 Lakh Cr to reach ₹ 274558 Cr with a growth of 12%. The Bank consistently gained market share during the year. Market Share in credit improved by 5 bps to reach 1.18% and market share in deposits improved by 6 bps to reach 1.09%.

Liability franchise remained resilient and grew by 13% to reach ₹ 152290 Cr. Retail deposits constitute 90% of total deposits and Liquidity Coverage Ratio as on 31.03.2020 stood at 196.65%, one of the highest amongst Private Sector Banks. CASA registered a growth of 7% to reach ₹ 46450 Cr. The NR business of the Bank witnessed overall growth of 14% to reach ₹ 60686 Cr as on 31.03.2020.

On the credit side, total credit of your Bank grew by 11% to reach ₹ 122268 Cr with robust growth in Retail Loans. Retail portfolio grew by 19% during the year followed by 12% growth in agricultural credit and 11% growth in business banking credit. Total gold loan grew by 29% and housing loan grew by 18%. Corporate and Commercial Portfolios registered a growth of 7% and 5% respectively.

Your Bank has posted highest ever Operating Profit and Net Profit. Net Profit of your Bank increased by 24% to reach ₹ 1543 Cr. Operating Profit improved by 16% to reach ₹ 3205 Cr. Total Income for the year grew by 19% to ₹ 15142 Cr and Other Income stood at ₹ 1931 Cr. Net Interest Margin (NIM) of the Bank stood at 3.05%. Your Bank could also clock the highest Net Interest Income at ₹ 4649 Cr, improved by 11% Y-o-Y. The Net Worth of the Bank increased to ₹ 14518 Cr as on 31.03.2020. The Capital Adequacy Ratio (CRAR) of

the Bank, computed as per Basel III guidelines stood at a comfortable position of 14.35% as on 31.03.2020. Return on Average Assets stood at 0.94% and Return on Equity stood at 11.10%. Cost to Income Ratio of your Bank stood at 51.30% for FY20 against 50.01% of FY19.

Gross NPA stood at ₹ 3531 Cr and Net NPA stood at ₹ 1607 Cr as on 31.03.2020. Gross NPA as a percentage to Gross Advances was at 2.84% and Net NPA as a percentage to Net Advance was at 1.31%. PCR (Provision Coverage Ratio) including written off assets improved to 72.48%.

Business Strategy

Last decade, in particular, witnessed the Bank gaining material share, both in the Markets and Minds, positioning itself as a prominent Banking Player in India. It was choice, and not chance, that drove the Bank's take-off from the status of a regional player, to a bank of national and global relevance. Over the years, the Bank made significant investments in creating an ecosystem that fuelled growth. The Bank established a well-defined business architecture covering full product suites and redefined its business verticals to sharpen the growth focus. In addition, a hybrid distribution framework, a robust credit underwriting architecture and sound risk management practices, brought in requisite fillip to pursue quality and scale. With Digital taking the centre stage, the Bank could achieve high level of automation thereby improving the overall customer experiences while contributing towards cost saves.

The Bank is having a comprehensive leadership position in Home Market (Kerala), covering all segments. The endeavour is to convert this commanding Prominence to a complete Dominance. In 'Rest of India', the Bank will continue to pursue initiatives, which will enhance the status from Presence to Prominence. Over the next two to three years, the Bank plans to clock 15-17% of Business CAGR, i.e., around 1.5x increase in business. Costs are expected to moderate during this phase.

Going forward, the Bank has visualized an ambitious goal, for it to become second to none. It is to pursue the credo of becoming the "FIRST CHOICE" Bank for all the stakeholders. The vision of being "FIRST CHOICE" is not confined to business growth, but it spreads across the entire range of attributes that concerns a stakeholder, be it products, processes, value creation, compliance, controls or innovation. It calls for an all new design that can differentiate the numero-uno from the rest of the competition. In the next few years, the Bank would, in addition to strengthening the Fundamentals, strive hard in staying ahead with the best-in-class product offerings, top quality customer service and an array of digital initiatives. The franchise will bank on the emerging opportunities available in the market, which will help to reduce the internal and external challenges, ultimately taking the Bank to its stated vision of becoming the Most Admired Bank, Digitally Enabled for Micro, Small, Medium,

and Mid-Market Segments.

Opportunities and Threats

The Covid-19 pandemic has brought the world into extremely difficult and largely choppy waters. Many countries are facing multi-layered crisis comprising of health shocks, domestic economic disruptions, plunging external demand, capital flow reversals and breakdown in commodity prices. Indian economy has been experiencing significant slowdown over the past few quarters. Investment and consumption demand had been languishing and a number of stimulus measures have been taken to bring back the economy on a growth path. There was a strong hope of recovery in the last quarter of FY20. However, the Covid-19 pandemic has made recovery extremely difficult in the near to medium term. The outbreak has presented fresh challenges for the Indian economy, causing severe disruptive impact on both demand and supply side elements, which has the potential to derail India's growth story.

Even this being the situation, we expect some green shoots in select micro markets and product segments in the medium term. With the distribution structure future ready, the Bank is fully poised to embrace and leverage such opportunities.

Companies that are further along the curve in digitising their operations have already benefited from greater built-in resilience during the Covid-19 crisis. The Bank's thrust on digital driven by the mantra of 'Digital at the Fore and Human at the Core' has helped to adapt more rapidly to the digital shift. This includes leveraging analytics to plan for the post-Covid era and transforming more physical processes into digital. The Bank will continue to leverage Data, Digital & Distribution with cost control & robust risk management practices in the post-Covid era to fuel the growth and improve the earnings multiple.

In the constant endeavour to instill the inspiring belief that value creation is a continuous journey, the Bank is committed to compliance and with ever improving risk management practices, the Bank is fully poised to bring in high quality growth.

Corporate and Institutional Banking

Corporate and Institutional Banking (CIB) division offers a comprehensive suite of banking products and services, both locally and overseas, to Large Business Houses and Corporates, Multinational entities, Mid & Emerging Corporates, Capital Market clients and Financial Institutions in the Public and Private sector. This division of your Bank offers customized products and services across working capital, term funding, structured finance, cash management, trade finance and forex management backed by comprehensive electronic banking solutions, which provide easy day to day operations for the Bank's clients. During FY20, this business scaled up further with a closing loans and advances of ₹ 50725 Cr as compared to

CV/CE Division

The CV/CE (Commercial Vehicle/ Construction Equipment) division of the Bank started operations from Tamil Nadu. The division will cater to the loan requirements of single unit owners, fleet operators and strategic clients for the purchase of new and used Commercial Vehicles and Construction Equipment.



₹ 47569 Cr in FY19. The focus of wholesale banking continues to be the preferred banking partner to its clients, with a well-designed client selection strategy and a robust credit underwriting process. During FY20, customer engagement under this division has further strengthened, with your Bank being preferred for multi-product relationship with tailor made and differentiated solutions to cater to the client's banking requirements.

The distribution continues to be expanded through Relationship Management structure at numerous locations and touch points to cater to the entire value chain across business verticals. This approach has helped your Bank in tapping various Retail, SME and cross-sell opportunities. Most of your Bank's clients have moved to digital platform of the Bank, "Fed E Biz" and going forward all products shall be offered and serviced through this platform in line with the philosophy of "Digital at the Fore, Human at the Core".

Commercial Banking

Commercial Banking division focuses on providing end-to-end financing solutions to Mid-Market and Medium Enterprises. Your Bank's offerings in this segment include working capital, term loan, trade finance and advisory services, cash management, supply chain finance, foreign exchange services, structured offerings, gold metal loan and liability products. Bank could leverage upon its relationship structure, branch network, digital platform and multiple product offerings to add many New to Bank clients as well as increase in wallet share of business with existing clients. During FY20, this business scaled up further with a closing asset position of ₹ 12066 Cr as against ₹ 11525 Cr in FY19. The business continues to have a diversified and granular portfolio in terms of sectors and geography. The Bank's focus in Commercial Banking will continue to be the Bank of FIRST CHOICE for all its clients.

CV/CE Business

The CV/CE Division finances single unit owners, fleet operators and strategic clients for their purchase of new and used Commercial Vehicles and Construction Equipments. The Bank commenced this business in FY19 in the states of Tamil Nadu and Kerala in view of the strong presence and during FY20, gradually expanded the reach to cover Southern and Western India. During the year, the Bank also on boarded talent with relevant industry experience to strengthen its teams in business acquisition, credit underwriting and collections. Despite industry challenges in the form of economic slowdown, axle norms, migration to BS 6 and finally Covid-19, the Division more than doubled its total book size to ₹ 591 Cr with a good mix of new and used vehicles spread across different user groups in strategic client segments while ensuring robust asset quality. The Bank could on-board a large number of new clients with significant cross sell and fee income opportunities.

Business Banking

Business Banking, comprising of business loans up to ₹ 5 Cr mainly to Micro, Small and Medium Enterprises, could register a growth of 11%, disbursing 13600+ loans during FY20.

Business Banking vertical focuses on granular growth through neighbourhood banking and is one of the high yielding portfolios of your Bank. While the business unit is mainly driven through the traditional strong hold- the Branch Network, FY20 witnessed introduction of Relationship Managers in select locations that had potential to grow further with the Relationship Managers focusing on acquisition of new customers.

The vertical conducted extensive market study in FY20, benchmarked the competitive products along with customer requirements and introduced new products to keep up with the changing market requirements. The products were well appreciated and accepted.

Your Bank entered into tie-ups with partners for daily cash collection arrangement for Business Banking customers. The arrangement, which was successfully piloted in select locations, facilitates daily collection of cash from customer location by the agent of the Banking Correspondent (BC) and the remittance to the customers account using fund transfer APIs integrated in the mobile device carried by the BC agent. The arrangement has started gaining customer delight and serves as an effective measure to ensure proper routing of funds.

Retail Banking

During FY20, your Bank could register a growth of 7% in CASA amidst various ongoing issues like Covid-19 pandemic, recession threats etc. The total deposits grew by 13%. Retail deposits constituted 90% of the total deposit.

Prime focus of your Bank was to on-board new relationships through a dedicated team of Relationship Managers, ensuring acquisition of high-value savings accounts and Corporate Salary accounts including salary accounts of State/ Central Government entities. Your Bank has also leveraged its commercial / institutional banking clients' employee salary account in a meaningful way.

Your Bank is the 1st Private Sector Bank in the country to link savings bank deposit rate to external benchmark rate (RBI's Repo Rate). The Bank launched 3 new SB variants on the basis of geography criterion viz. Club, Delite and Pride.

Your Bank is focusing on more tie-ups with Fintech Partners via API and Open Banking programmes paving way for more opportunity and access to the millennial segment with special thrust on salaried clients. The projects are scheduled to go live in FY21.

The Bank is now one among the seven leading banks in the country which have been empanelled by NSE Clearing Limited for submitting Fixed Deposit Receipts (FDRs) issued as collateral to clearing members in electronic form (e-FDRs).

Launch of InstaDemat

Your Bank launched a facility for instant online opening of demat accounts for Federal Bank customers. Federal Bank is the first bank in India to offer this service to its customers. With the launch of this service, customers of the Bank can open their demat accounts in a matter of minutes by logging into FedNet, the internet banking portal of Federal Bank. The facility is available round the clock and involves absolutely no paper work.



Your Bank could grow the portfolio size to ₹ 1457 Cr in the Corporate Salary segment. Thrust was given to deepen relationships with existing clients of Corporate and Commercial Banking and thereby increase the Corporate Salary accounts from their universe.

With the added focus on HNI segment, CASA share from HNI segment to Bank's total CASA improved to 45.25% in FY20 as compared to 40.72% in FY19. Number of HNI profiled customers has reached 197857 in FY20 fetching a growth of 11% Y-o-Y in client count.

This year, HNI vertical was instrumental in launching the flagship Savings scheme for HNIs- Celesta Savings account (for both Residents and NRs). This account is clubbed with the premium debit card variant "Celesta" and offers a host of exclusive offerings like airport pick up and drop, exclusive lifestyle offerings, concierge services, exclusive relationship managers for financial and wealth management advisory etc. The scheme was launched during November 2019 and during the short period since the launch, has gained much popularity adding 1107+ accounts with a balance of ₹ 491 Cr to HNI portfolio.

The retail loan book of your Bank grew by 19% reaching ₹ 37878 Cr forming 31% of the total advances of your Bank. The retail book has seen good traction across all its major products. Mortgage backed Housing Loans and Retail Loan Against Property (Retail LAP) continue to be the major components of the retail loan book with a combined share of 67% and housing loan constitutes 72% of this share. During the year, the housing loan portfolio crossed ₹ 18000 Cr, registering a growth of 18%. The auto loan portfolio grew by 39% crossing ₹ 3,200 Cr in book size and the personal loan book grew by 93% reaching a size of over ₹ 1,400 Cr. Your Bank introduced a new loan origination system for auto loans designed at improving delivery speed and enabling the Bank to sanction loans digitally. Your Bank also tied up with auto giant M/s Maruti Suzuki India Ltd, to enhance its presence in the auto segment. Over 90% of the unsecured personal loans originated by your Bank last fiscal has been originated digitally using its Be Your Own Master (BYOM) platform. Your Bank also associated with digital platforms like Google Pay (GPay), Paisabazaar etc. to reach out to its clients to push its pre-approved offers. Your Bank continued to associate with FinTechs to reach out to New to Credit and New to Bank segments.

Bank's association with WMS (Wealth Management Services) partner M/s Equirus Wealth was initiated towards the end of Calendar Year 2018. In the initial phase, the focus was on streamlining the framework for the arrangement. Later, FY20 witnessed significant boom in the business generating substantial growth in AUM (Asset Under Management) and revenue. The arrangement was instrumental in bringing more New to Bank Clients to our WMS fold. From inception of this association till 31.03.2020, the Bank could source business AUM over ₹ 800 Cr. Clients, especially corporates, often churn their

investments and this results in intermittent redemptions. The Banks current business AUM, post these redemptions, stands at ₹ 500 Cr. Business through this association last FY, brought in a fee revenue of ₹ 2.4 Cr to the bank.

Bank's first dedicated Wealth Management Centre attached to Ernakulam/ Bypass Branch for professional WMS services was opened during the year. The Bank also started periodic communication series like Market Outlook, Quarterly Outlook, Podcast etc as part of promoting WMS business among customers.

The existing WMS platform provided to the clients is co-owned by the Bank & Equirus and as on 31st March 2020, Bank has on-boarded 3124 clients into the platform. Presently, there are 21 dedicated Investment Relationship Managers, supported by 24 RMs from Equirus. The products in focus that are major contributors to revenue are Mutual Funds, Portfolio Management Services, Bonds, Unlisted Securities, Offshore products etc. Equirus has an open architecture platform through which it serves 25+ AMCs and 7 PMS fund houses.

The Bank registered a business figure of ₹ 78 Cr in Para Banking Fee Income with the following initiatives/ outcomes:

- Insta-Demat (Instant Demat opening through FedNet) was the most innovative product that your Bank launched in FY20 and has received encouraging feedback from all stakeholders. Your Bank is the first in India to launch this facility. The Bank was awarded for Best Innovative Strategy of the year by CII-CDT and ETBFSI Excellence Awards 2019 for the category Most Innovative Partnership Strategy of the year by a Bank, instituted by Economic Times
- The Bank on-boarded SMC Global Securities Limited and IIFL Securities Limited as new partners for Fed e Trade along with Geojit Financial Services Limited.
- Insurance business has been the largest contributor to para-banking fee income. The Bank have partnered with IDBI Federal (Life Insurance JV), Max-Bupa, Bajaj-Allianz, HDFC-Ergo & TATA-AIG (non-life insurance) for insurance business. TheBank offers an array of insurance products which helps in protection & safety against various risks. Bank through this association has offered various products such as annuity plans, guaranteed wealth plans, hospital cash, medical insurance, credit insurance, travel insurance, etc.
- The Bank has introduced QR-based insurance, which facilitates complete digital journey for its customers.
- Your Bank obtained Tele marketing licence from IRDA for insurance sales and launched Insurance Tele sales activity from January 2020, from its contact center.

Cards and Payment Solutions

Your Bank has completed a significant revamp of debit card

Maruti Suzuki

Federal Bank joined hands with Maruti Suzuki India Limited (MSIL) to provide Dealer Finance and customized Auto Retail Financing solutions to customers.

FEDERAL BANK

YOUR PERFECT BANKING PARTNER

A NEW BEGINNING

IN DEALER & RETAIL CAR FINANCE

**Signing of MoU between
Federal Bank and Maruti Suzuki**



proposition both in the terms of technology and design. Bank has started issuing contactless debit cards from August 2019 with refreshed card designs in line with the theme of "Digital at the Fore and Human at the Core". Bank has followed a customer segmentation approach and designed card value propositions accordingly. Bank is now issuing cards across four variants Celesta, Imperio, Signet and Crown. 'Celesta' is the Bank's unique proposition for ultra HNI clients with customized offers and benefits.

Your Bank has become the 05th Bank in the country to launch Debit Card EMI (DC EMI) facility in association with Pine Labs. DC EMI enables customers of the Bank to purchase goods and services across 45000+ Pine Lab terminals installed in the country.

Your Bank has partnered with leading e-com merchants in the country to conduct promotional campaigns. More than 75+ campaigns have been conducted across leading brands like Amazon, Flipkart, Myntra, INOX, BookMyShow, Indigo, Snapdeal, MMT, Big Basket, Swiggy, and Reliance Digital. This has not only helped in increasing the brand presence/ mind share, but also in increasing spends on debit cards. The number of customers using debit cards for spends on POS and E-Com have increased exponentially. Targeted campaigns with the help of data analysis have helped in increasing monthly spends and cost optimisation. Monthly spends on debit cards reached an all-time high of ₹ 921 Cr (per month) in December 2019 which shows healthy transformation to digital channels. Your Bank has launched FedDelights - a dining proposition, which offers minimum 15% discount on Federal Debit Cards across 450+ restaurants Pan India. Your Bank also became the first Bank to go live with MasterCard Shop Perks – a unique cash back program launched by MasterCard in association with issuing Banks. MasterCard has promoted the Bank across all their social media channels for achieving this milestone.

Non- Resident Banking

During FY20, NR business of the Bank grew by 14% and the NR CASA portfolio grew by 13%. Total NR deposit of the Bank crossed the milestone figures of ₹ 60,000 Cr in March 2020. Personal Inward remittance business achieved the milestone figure of ₹ 95,000 Cr this FY and has registered 14% growth. The Bank has started remittance tie up with 3 new partners from three new geographies- Speed Money Transfer - Japan, Lulu Money - Hong Kong and Bank Al Jazira - Saudi Arabia.

NR Franchise always presents a plethora of opportunities for your Bank. The dominance in the remittance business with robust remittance engine and more than 110 plus remittance arrangements across the globe supported by a very strong mix of savers will synergize with the efforts of the Bank to further strengthen the franchise.

The Bank has strengthened the Relationship Model further for NR business. Given the opportunities and potential of NRI business

segment, it will continue as a key growth engine for the Bank in the coming years also.

Agri Banking

Agriculture, with its allied sectors, is unquestionably the largest livelihood provider in India, more so in the vast rural areas. It also contributes a significant figure to the Gross Domestic Product. Sustainable agriculture, in terms of food security, rural employment, and environmentally sustainable technologies such as soil conservation, sustainable natural resource management and biodiversity protection, are essential for holistic rural development. The increased presence of the Bank's branches in rural and semi-urban areas provides a great opportunity to your Bank for improving its exposure to Agriculture and Priority sector. Our unique set of products and competitive customer service enabled the Bank to meet farmer demands for better credit delivery. High calibre workforce of Development Officers and Agri Relationship Managers are deployed across the network to cater to farmer clients of various genre. Agricultural advances of your Bank as on 31.03.2020 stood at ₹ 12874 Cr against the base figure of ₹ 11444 Cr thus registering a growth of 12% in FY20. Your Bank is committed to remain as a dominant player in agri financing portfolio in the years to come.

Your Bank also focussed on providing gold loans to borrowers, as an easy source of finance to the needy with quick turnaround time. The Gold Loan segment grew from ₹ 7228 Cr to ₹ 9301 Cr in the FY, registering an impressive growth of ₹ 2073 Cr. Various Gold loan schemes tailor-made to suit the needs of various sections of the society were deployed, such as Agricultural Gold loans, Business gold loans, Overdraft loans, EMI Gold loans and bullet repayment loans. Your Bank also launched digitally powered doorstep gold loan services in association with a FinTech company, to enhance the ease of availing gold loans.

Priority Sector Advances

The Bank has continued its growth under Priority Sector lending with added thrust on small and marginal farmers, micro enterprises and weaker sections of the country. The focus areas for credit were Agriculture, Retail, SMEs, Education, Housing and other productive sectors of the economy.

Micro and Rural Banking

Business through Business Correspondent (BC) model

Despite vast expansion of formal credit delivery system in the country, dependence of the people at the bottom of the pyramid on middlemen or money lenders still continues in many geographies. With this background, your Bank has developed sustainable livelihood programmes to provide financial and non-financial services through branches and business correspondents. The model developed is to empower financially excluded class of people. It

also promotes socio-economic development at the grass root level through community-based approach.

As advised by Reserve Bank of India, your Bank has formulated Business Correspondent Policy. Based on the policy norms, the Bank empanelled six Corporate Business Correspondents in selected geographies for building up of different portfolios like SHG/JLG loans, Micro MSME loans and Gold Loan.

In FY20, your Bank could acquire 13,430 new customers with a total business of around ₹ 60 Cr through these Business Correspondent tie-ups. Your Bank is giving adequate thrust in various loan schemes like PMMY (Mudra), PMEGP, NULM, NRLM etc., promoted/sponsored by the Government apart from financing to Self Help Groups and Joint Liability Groups.

Financial Inclusion

The objective of Financial Inclusion is to extend financial services to the large unserved population of the country to unlock its growth potential. It also strives to achieve growth that is more inclusive by making finance available to the poor in particular. Through methods like financial literacy, the Bank is enabled to channelize the savings of the unserved population of the country and offers new business avenues for lending to this group.

National Strategy for Financial Inclusion (NSFI) 2019-24 was launched by Reserve Bank of India on January 10, 2020. NSFI 2019-24 sets forth the vision and key objectives of Financial Inclusion policies in India to help expand and sustain financial inclusion process at National Level through a broad convergence of action involving all the stakeholders in financial sector.

Financial Literacy through Rural Branches and Financial Literacy Centres

Financial Literacy programmes intend to provide basic banking knowledge to people across various corners of the life. The financial literacy classes are organized and conducted by branches in rural areas. Your Bank has currently 158 rural branches that conduct financial literacy campaigns to the public and school children for providing basic banking knowledge to them.

Federal Ashwas Financial Literacy Centres (FAFLCs) are your Bank's initiative to provide free, unbiased, fair and coordinated financial education through financial literacy classes and credit counselling. Ashwas centres have turned out to be effective financial literacy and credit counselling centres in rural and semi urban areas. All the Banks will get benefits through FLCs established for imparting financial literacy/creating awareness on various Banks' products and educating the targeted segments like- farmers, micro & small entrepreneurs, self-help groups, senior citizens and school children. FLCs also impart 'Going Digital' camps to rural populaces. These centres undertook around 1540 literacy camps and 350 counselling sessions during the

FY20, which have benefitted more than 76,000 people.

Your Bank participated in two Financial Literacy Weeks (FLWs) observed by RBI during the Financial Years 2019 and 2020. FLW – 2019 during the period from 03rd to 07th June 2019 and FLW 2020 during the period from 10th to 15th February 2020 across the country. The focus during the FLW-2019 was on the benefits of using Bank finance for agricultural needs, digital banking, advantages of timely repayment of Bank loans and insurance for farming activities while FLW-2020 focused on Micro, Small and Medium Enterprises (MSMEs) as target group with the primary theme being "Formalisation, Collateral Free Loans, Trade Receivables Discounting Systems (TReDS) and Timely Repayment of Loans".

During the financial literacy week, your Bank has done the following activities:

- 1) Rural Branches have displayed the posters on FLW theme in prominent place inside the branch premises and distributed leaflets on FLW to customers.
- 2) Displayed the FLW message on home page of our Bank's website in English and Hindi.
- 3) Displayed the FLW message on the Bank's ATM screens in English and 7 other regional languages.
- 4) Financial Literacy Centres (FLCs) of the Bank conducted special camp on each day of FLWs, based on the focus themes of respective FLWs.

Your Bank offers Pradhan Mantri Jan Dhan Yojana (PMJDY) accounts to the general public with OD facility in eligible cases (mainly to weaker section and low income household groups), with OD facility up to ₹ 10,000/- to eligible customers, with an objective to ensure access to financial services, namely savings and deposit accounts, remittance, credit, insurance, pension in an affordable manner. In FY 20, Ministry of Finance, Government of India has announced the continuation of Comprehensive Financial Inclusion Mission (Pradhan Mantri Jan Dhan Yojana – PMJDY) with change in its focus from opening accounts for 'every household' to opening account for 'every adult'. The main attraction of the scheme is a zero-balance bank account that comes with RuPay debit card and free accidental insurance cover of ₹ 2 L. Till date your Bank has opened more than 5.70 L accounts with an outstanding balance of ₹ 239.69 Cr. Average balance in PMJDY accounts as on 31.03.2020 is ₹ 4,205/- .

Aadhaar and mobile seeding in PMJDY accounts with your Bank is 86% and 97.5% respectively as on 31.03.2020.

Your Bank is also actively participating in the PM's social security schemes (Pradhan Mantri Suraksha Bima Yojana, Pradhan Mantri Jeevan Jyoti Bima Yojana and Atal Pension Yojana) launched by the Government of India. The PMSBY and PMJJBY schemes provide low cost insurance benefits to the public for the death or disability due to

accident and for death due to any reason respectively. Atal Pension Yojana (APY) is the Government backed pension scheme provided to unorganised sector. During the FY20 your Bank received the Certificate of Excellence from the regulator Pension Fund Regulatory and Development Authority (PFRDA) for outstanding performance and lasting contribution towards Atal Pension Yojana under Pledge to Persist campaign, Jan – March, 2020 organised by PFRDA.

Your Bank could help 322 families of our deceased customers who joined the low-cost insurance schemes (PMJJBY and PMSBY) by settling claims amounting to ₹ 6.43 Lakhs.

Resurgent Kerala Loan Scheme (RKLS)

Under Resurgent Kerala Loan Scheme (RKLS), which was launched as special scheme for the flood relief to the members of Kudumbasree SHGs, we could generate a loan book of ₹ 21.46 Crores in FY 19 and ₹ 4.40 Crores in FY20 (scheme was discontinued in July 2019).

Integrated Treasury Operations

Your Bank's treasury operations involve Balance Sheet Management, Liquidity Management, maintenance of Statutory Reserve Requirements, trading in Money Market Instruments, Bonds and Debentures, Equity, Alternate Investment Instruments and Foreign Exchange. The Bank has dedicated and full-fledged dealing desks in the major segments namely; Foreign Exchange- Interbank and Merchant Forex. Derivatives-Currency Options / Cross Currency Swaps (on back to back basis), Currency Futures, Interest Rate Futures. Domestic - Money Market, Government Securities, Bonds and Debentures, Certificates of Deposit, Commercial Paper, Interest Rate Swaps and Equity. The Treasury & Forex dealing room is located in Mumbai. The Bank is providing web-based trading platform and intraday trading facilities to clients in the G-Sec segment. Bank has implemented an enhanced software system to scale up the treasury operations. This ensures total automation of the treasury activities and seamless integration with the core banking system of the Bank.

Foreign Exchange Business

Foreign Exchange Business of your Bank has taken a leap in the past 2 years and the entire business model has been revamped to focus on distribution of Forex and Interest Rate products oriented towards the hedging needs of the clients. The Treasury Sales Team with its strengthened force of 23 members spread across the country is offering these hedging products to the Bank's clients. The Treasury Sales team works closely with all the Relationship Managers of the Bank covering the Large Corporate, SME and Retail segment of clients to offer its Forex and Interest Rate Products. The regular co-ordination between the Treasury Sales team spread across various centres and the team at the dealing room in Mumbai has resulted in enhanced distribution of these products to the our customers. With the Derivatives Desk fully active this year, The Bank has significantly

expanded its Treasury product basket thereby adding a new revenue line. Besides adding a diversified revenue stream, this has significantly added value to the existing customer relationships. The extensive usage of data analytics in understanding customer business has helped the Bank in increasing the Forex business through its branches.

Your Bank conducted regular one-on-one meetings with exporters/importers at zonal level to strengthen the relationship, to assess the financial position of the units, to support additional credit requirements and to acquire new relationships. Your Bank is closely associated with various trade bodies/ associations including Federation of Indian Exporters Organizations (FIEO), Engineering Export Promotion Council (EEPC) etc. for deepening relationships with exporter/importer communities and offering guidance.

Your Bank has a dedicated Foreign Exchange Cell attached to Treasury Department at Mumbai catering to all the requirements of the clients / branches on foreign exchange, Trade Finance, FDI/ODI/ ECB and cross border transactions. 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. Your Bank is also in the forefront in conducting Foreign Exchange Dealers Association of India (FEDAI) training programmes for banking fraternity. This enabled the designated branches to improve their operating efficiency substantially. The Bank periodically updates and codifies the RBI/ FEDAI instructions applicable for forex business, in the form of comprehensive Directions/ circulars/Handbooks for the benefit of its operating staff.

Your Bank has published a citizen charter for forex facilities and publishes the exchange rates of various currencies daily in Bank's website for the benefit of the public. Bank continues to be a member of the Technical Advisory Committee of FEDAI.

Foreign exchange business of your Bank is conducted through two 'A' category branches and eighty eight (88) 'B' category branches/offices and the IFSC Banking Unit (IBU) Branch in GIFT City (Gujarat International Financial Tec City). Entire foreign exchange / trade finance transactions are centralised to extend timely and efficient service to forex clients and improve effectiveness of the branches. Your Bank has introduced the concept of Trade Hubs/Corporate Client Service Centres in all metro cities and other major centres to bring more efficiency in handling trade transactions. SWIFT operations are also centralized to make it faster and reliable. Presently, all financial messages in SWIFT are generated only through Straight Through Process (STP), whereby contents of such messages flow directly from the accounting system (Core Banking Solutions) to SWIFT platform without manual intervention. In the trade finance segment, export credit facilities are provided in both rupee and foreign currency for pre-shipment and post-shipment activities of the exporters. Non-fund

based facilities, such as letter of credit, stand by letter of credit (SBLC), guarantees etc. are extended including various structured products.

Federal Bank – IFSC Banking Unit (IBU)

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

Various products offered, and activities handled from Federal Bank IBU are:

- Credit facilities to Wholly Owned Subsidiaries (WOS)/Joint Ventures (JV) of Indian companies registered abroad
- Credit facilities to overseas companies
- External Commercial Borrowings (ECB)
- Trade Finance Products
- Non-fund based facilities (Standby Letter of Credit/Bank Guarantee etc.)
- Acceptance of foreign currency deposits
- Treasury operations

Federal Bank IBU enables your Bank to raise Foreign Currency resources from various overseas Banks and other financial institutions, multilateral agencies etc. With the opening of IBU, your Bank caters both domestic and international client's foreign currency funding requirements. IBU boosts the balance sheet of your Bank by participating in various foreign loan syndications and extends finance to eligible overseas entities across different foreign currencies. Federal Bank IBU has executed transactions in various segments like manufacturing, metals, media & entertainment, health care, electrical, food, construction etc.

Digital & Technology

Indian Banking is in a transformational phase for the last 5 years and expected to transform further in the coming years too. The rise of the FinTech eco system has paved way for many innovations in the Banking Industry and the waves of the revolutions brought in by the JAM trinity (Jandhan, Aadhaar and Mobile) are going to create ripples in many functions that have direct linkage with Banking industry.

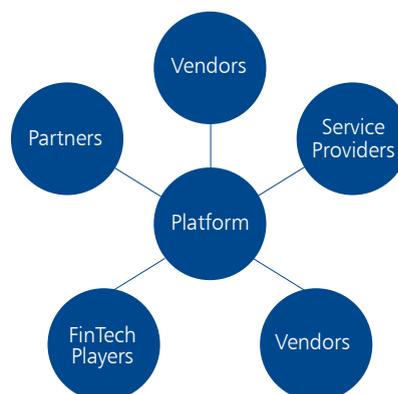
New Platforms are being created and innovations around such platforms are further giving rise to new products. Bharat Bill Payment System, a platform that aggregates every biller in the country, National Electronic Toll Collection, which provides a unique ID for every vehicle to cross tolls by making toll collection electronic and Goods and Services Tax Network that brings every invoice in the

country in a single platform in a machine readable format are some of the big platforms that have become models for innovation and given rise to the ability to create innovative products that leverage the billions of data points created by these platforms.

The traditional way of Banking is giving way to innovative modes of Banking at a very fast pace. The innovations and regulations around Open Banking, Personal Data Protection Bill, Neo Banking, Data Fiduciaries etc are paving way for new age Banking. Today your Bank's customers can open an account in less than 5 minutes using e-KYC services facilitated by UIDAI and regulated by RBI, get an auto loan in less than 30 minutes with a combination of e-KYC, Digital ID Verification, Online Credit score and other data points received from fiduciaries.

Your Bank now acts as a new age digital platform that facilitates financial transactions happening across the world through own platforms as well as partner platforms.

Bank as a new age digital platform



Bank provides an open platform for financial transactions

- Customer creation
 - Financial transactions
 - Digital Lending
 - Wealth Management
 - Customer authentication
- Bouquet of Financial Products
Use of ML & AI on Data

Your Bank continued to focus on empowering customers with digital products and services to ensure uninterrupted banking services. Starting with customer on-boarding using digital channels through instant account opening platform, Tab Banking and Selfie Mobile

Inauguration of Fed e Studio at Rajarhat

Fed e Studio - the first digital branch of Federal Bank started operating from Rajarhat. Fed e Studio offers a host of banking services round the clock. Users of the facility can do fund transfers, CTS clearing transactions, cash deposit and withdrawal etc in the digital branch.



app, the Bank is ensuring digital services at all touch points. On March 31, 2020, nearly 90% of all eligible savings accounts were opened digitally thereby ensuring ultimate customer satisfaction and cost savings for the Bank.

Your Bank's digital platforms like FedMobile, FedNet, Lotza and FedBook for retail customers and FedCorp, Corporate FedNet, Paylite and Fed e-Biz for its corporate and SME customers underwent a series of updates and enhancements to improve customer experience and security. As on 31.03.2020, a little over 82% of the Bank's transactions was handled through its digital platforms. More than 90% of the retail individual transactions happened through Digital Channels, especially Mobile Banking which accounted for 70% of all transactions.

Open Banking shapes a new business and system architecture.

Your Bank started investing in Open Banking since 2017 and today Federal Bank is recognised as a strong player in API Banking with more than 83 APIs and 13 API bundles. More than 100 partners are connected to the platform. The open banking platform is a plug and play one where partners can look at the APIs and make best use of the Sandbox and documentation to build the suitable product that they want to roll out.

New Technologies adopted during the Fiscal

The Bank announced the Ripple Partnership during FY19 and the integration with Ripple got completed during FY20. The Bank also announced the Corda partnership and delivered a full-fledged blockchain based remittance platform. The Bank continued its RPA journey and included more than 100 processes under RPA. The Bank also implemented Oracle Autonomous Cloud for analytics and plans to explore the platform further for better analytics led products and services. The Bank started its AI journey and plan to launch an Omni channel AI Bot by the middle of next Fiscal year.

New Partnerships

Federal Bank is the go to Bank for FinTechs and Neo Banks. Some of the key partnerships include the likes of Google, PineLabs, Ripple, NSCCL, NSE, Paisabazaar, Rupeek, NST, BillDesk, HDFC Ergo, SafeGold, Clayfin Technologies, Karza, Lentra, CIBIL, KWA, Hunter, Experian etc.

BYOM- Be Your Own Master

Be Your Own Master, the pre-approved digital lending platform of Federal Bank which was launched in the year 2017 has seen many enhancements over the last three years and now offers the following services

- Digital Personal loans and Top Up Loans
- Flexi EMI loans- converting existing debit card purchases to EMI
- Check out EMI loans at Point of Sale Terminals
- Digital onboarding of Credit card through BYOM
- Loan Against Deposits
- General Insurance subscription for BYOM loans
- SMS Eligibility Check for BYOM customers
- Personal Loan Through GPay, Paisabazaar, Flex Money

Major Launches in FY20

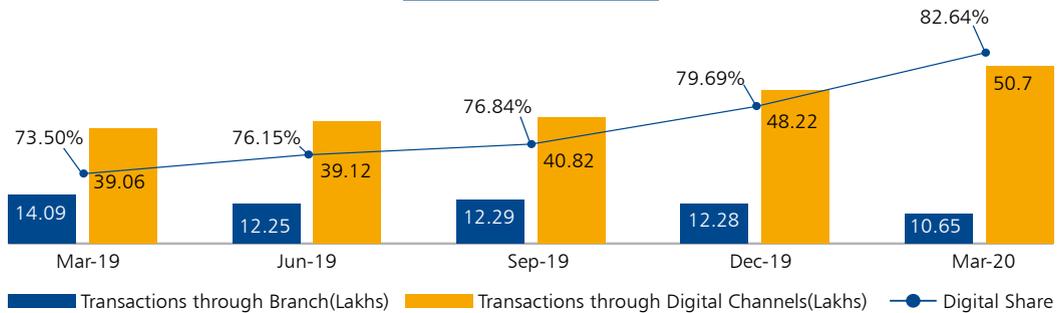
The Bank launched many initiatives during the year. Few of them are

- Integration of Kerala Water Authority in Bharat Bill Pay
- Implementation of UPI 2.0
- Implementation of AePS 2.5
- API Based e-Mandate
- Tab based Loan Origination System for Auto Loans
- Fed e-Studio- Kiosk based smart branch for self-service transactions.
- Instant Online Demat account opening through FedNet in association with NSE
- NSCCL e-FDR project for online deposit creation for NSE Clearing settlements.
- Online Insurance partnership with HDFC Ergo
- Enhancement in Internet Banking such as Duplicate PIN setting through SMS/Email, PIS statement generation, Corporate FedNet income tax e-filing, Nomination facility, Forex Card issuance, Utsav Rewards integration, Debit Card PIN setting, Online FedNet registration for E or S account, Forgot User ID, Apply debit card and BBPS integration.
- BHIM Aadhaar Pay merchant solution and Micro ATM based on AePS.
- FASTag recharge through UPI with virtual VPA for every vehicle.
- EnCollect : An Omni channel delinquent collection system

Digital Adoption & Merchant Acquisition

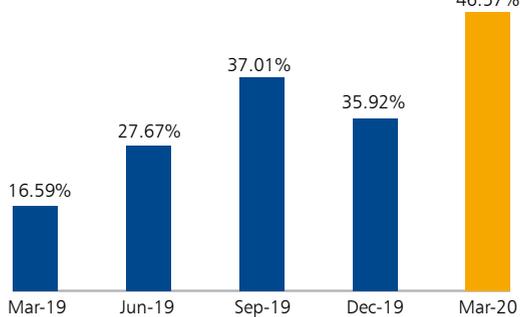
Digital share of transactions of your Bank reached 82.64% at the end of the Fiscal of which corporate digital share of the Bank reached 70.89%. 90.28% of the transactions done by retail customers are through digital channels. The total number of digital users of the Bank stood at 22.98 lakh at the end of the Fiscal. The total number of merchants with BQR reached 1,06,444 at the end of the year.

Branch Vs Digital

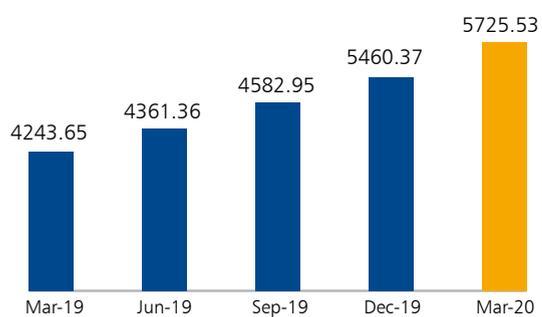


The digital users grew by 46.57% YOY and the Mobile Banking volumes crossed ₹ 5000 Cr mark during the Fiscal to reach ₹ 5725.53 Cr as on 31.03.2020.

YoY Growth in Digital Users



Mobile Banking Volume (Cr)



SWIFT transactions are now GPI (Global Payment Innovation) compliant

Your Bank’s SWIFT messages are now SWIFT- GPI compliant, SWIFT GPI enables swift messages to be tracked at any point of time, and this also gives an insight of the charges deducted by each bank in the course of transmission. GPI also enables the user to stop and recall a transaction at any point of time before the funds are credited to the final beneficiary account. Your Bank is the 5th Bank in the country to go live on GPI platform.

SWIFT INDIA Domestic Services

Your Bank becomes the 6th Bank in India to go live on SWIFT-GLI (Go Live India) Platform. SWIFT India Domestic Services has been created under the license of Reserve Bank of India with an objective to adopt the best in class messaging services for handling various financial and non-financial transactions in a secured way. Through this arrangement, your Bank has laid the platform on which future services in trade digitization like E-stamping, SAFE – T (Invoice Validation) for bill discounting, E-BG and ecosystem with Big Corporates for C2B trade and treasury can be made live. Currently your Bank is live with Interbank trade messages in this platform.

Credit Health Management

Credit Administration Department ensures health of credit portfolio through meticulous compliance of pre-and post-disbursal covenants of credit sanctions and error free documentation. The Department prepares the documents as per sanction terms and verifies the executed documents once they are submitted for setting up of limit and ensures creation of charge and perfection of securities within the stipulated timeframe. The Department also does a follow up of covenants required by credit policy and the Sanction Order, to ensure due compliance thereof. Further, the Department ensures sufficiency and protection of underlying assets, and also ensure securities are updated and revalued at regular intervals. The Department constantly endeavours to ensure an excellent turnaround time.

The preservation of asset quality is of paramount importance for your Bank and the Credit Monitoring Department employs various tools to closely monitor the credit health of the portfolio on an ongoing basis. Gathering and analysing information from external and internal sources and initiating corrective actions form the crux of the health management process. The activities are aimed at the upkeep of the credit quality through properly defined systems, procedures and practices. The stressed situations are identified well in advance

and prescription and implementation of corrective action plans are brought in wherever required. This end-to-end monitoring of all loans & advances disbursed across the Bank ensures credit discipline.

Stressed Asset Management

Gross NPA as a percentage of gross advances ratio of the Bank stood at 2.84% and Net NPA as a percentage of net advances ratio of the Bank stood at 1.31%. The Provision Coverage Ratio (including technical write offs) stood at a healthy 72.48%.

Risk Management

The Risk Management philosophy of your Bank is to take risk by choice rather than by chance. Your Bank is exposed to various risks that are inherent to any banking business. The major risks are credit risk, market risk including interest rate risk and liquidity risk, information and cyber security risk and other operational risks. Your Bank has policies and procedures in place to identify, measure, assess, monitor and manage these risks systematically across all its portfolios. Board of Directors oversees and approves the risk policies and strategies to establish an integrated risk management framework and control system in the Bank. The Risk Management Committee (RMC) of the Board oversees management of various risks associated with business, systems and processes. Executive Level Committees ensure effective implementation of risk policies of credit, market and operational risks. Risk management framework is subjected to review and up-gradation on an ongoing basis, in tune with regulatory guidelines and best practices in the industry. Integrated Risk Management Department headed by Chief Risk Officer coordinates various risk management functions of your Bank. An independent risk governance structure has been put in place, duly ensuring independence of risk measurement, monitoring and control functions. In order to focus on maximization of return on capital, your Bank has aligned its business strategies to a Risk Appetite Framework. Risk based pricing framework has been implemented for pricing of loans to evaluate returns vis-a-vis risks taken.

Credit Risk Management

Your Bank has a centralized credit risk management division independent of its business functions. Macro factors such as slowdown in economic growth, imbalances in the economy, stress in certain industries etc and micro level factors such as poor underwriting standards, in adequate monitoring, weak collection and recovery mechanism etc are a few elements that contribute to the credit risk of a Bank.

Your Bank has strong credit appraisal and risk assessment practices in place for identification, measurement, monitoring and control of the credit risk exposures. Your Bank has a distinct credit risk architecture, policies, processes and systems for managing credit risk in both its retail and wholesale businesses. Wholesale lending is managed on

an individual as well as portfolio basis. In comparison, retail lending, due to the granularity of individual exposures, is managed largely on a portfolio basis across various products and customer segments. For both categories, there are robust follow up and monitoring mechanisms in place to ensure credit quality and to minimise default. The factors considered while sanctioning retail loans include income, demographics, employment, previous credit history of the borrower and tenor of the loan. In wholesale loans, credit risk is managed by capping exposures on the basis of borrower group, industry, credit rating grades and geography amongst others. This is backed by portfolio diversification, exposure monitoring, stringent credit approval processes and periodic post-disbursement monitoring and remedial measures. A research and analytics wing functions within the risk department for conducting portfolio studies, industry/ sector analysis and to capture up-to-date market information. Your Bank is continuously reviewing and validating the credit rating models / score cards for its appropriateness and predictiveness. Credit risk management in your Bank, through its various policies, risk assessing tools and risk mitigating measures ensures robust credit growth with superior asset quality. Currently, credit risk capital is computed using the standardized approach. RBI guidelines on Basel III capital regulations have been implemented and your Bank is sufficiently capitalized as per the current requirements under Basel III.

Market Risk Management

Market Risk arises largely from the Bank's statutory reserve management and trading activity in interest rate instruments, equity and forex market. Your Bank has a well-developed framework, comprising of Board approved policies and established practices, for management of the market risk. Your Bank has set risk appetite and VaR limits to measure and control interest rate risk, equity price risk, forex risk, liquidity risk and other market related risks. Your Bank is using various tools like stress testing, modified duration, PVBP, VaR, position limits, loss limits, NOOP limit, AGL etc to monitor and contain market risk. Your Bank has established an independent mid office at the floor of Treasury, as part of Market Risk Division, which reports directly to the Head of the Risk Department and functions as the risk control unit for the treasury activities. The Mid-Office scrutinizes the treasury deals and transactions from market risk and operational risk management. Detailed policies are put in place for the conduct of business exposed to market risk and 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 book, trading book and off-balance sheet exposures. Currently, capital charge for market risk is computed under the Standardized Duration Approach. Value at Risk (VaR) is the tool used for monitoring risk in Bank's trading portfolio. The VaR and Stressed VaR for market risk are monitored daily.

Liquidity Risk Management & Interest Rate Risk Management

Liquidity risk is the potential inability to fund increase in assets, decrease in liabilities or meet obligations as they fall due, without incurring unacceptable losses. Interest rate risk is the risk where changes in market interest rates affect the Bank's earnings through changes in its net interest income (NII) and the market value of equity through changes in the economic value of its interest rate sensitive assets, liabilities and off-balance sheet positions. The policy frameworks for management of liquidity risk and interest rate risk are established vide the Bank's Asset Liability Management policy. Your Bank has established risk appetite limits and other tolerance limits for both liquidity risk and interest rate risk. While the maturity gap and stock ratio limits helps manage liquidity risk, assessment of impact on the net interest income and economic value help mitigate interest rate risk. This is complemented by a stress testing programme covering both liquidity and interest rate risk. Your Bank conducts various studies to assess the behavioural pattern of non-contractual assets and liabilities and embedded options available to customers, which are used while managing maturity gaps. Further, your Bank also has necessary framework in place to manage intraday liquidity risk. Your Bank's Asset Liability Committee (ALCO) is responsible for monitoring adherence to liquidity risk and interest rate risk limits.

Liquidity Coverage Ratio (LCR), a global standard to assess organisation's ability to meet its payment obligations, is used to measure a Bank's liquidity position. LCR level ensures that the Bank has an adequate stock of unencumbered High-Quality Liquid Assets (HQLA) that can be converted into cash easily and immediately to meet its liquidity needs under a 30-day calendar liquidity stress scenario. Based on Basel III norms, RBI has mandated a minimum LCR of 100 per cent from January 1, 2019 and your Bank's LCR as on 31.03.2020 stood at 196.65% and the average LCR was at 185.40% for the quarter ended 31.03.2020.

RBI has also mandated minimum Net Stable Funding Ratio (NSFR) of 100 per cent with effect from 01.10.2020. NSFR indicates that the Bank maintains a stable funding profile in relation to the composition of its assets and off-balance sheet activities. As a prudent risk management practice, your Bank has been monitoring this ratio, and is adequately prepared to meet the RBI mandated requirements.

Operational Risk Management

Your Bank has a comprehensive framework comprising of policies, processes and systems for measurement and management of operational risks. 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. Your Bank is identifying and assessing operational risk through Risk and Control Self Assessments (RCSA) and monitoring of Key Risk Indicators (KRI). New

products and processes or any modifications to existing products and processes are vetted to identify and understand the nature and degree of the risks the Bank would be exposed to and checks and controls are implemented to mitigate the risks. Your Bank has put in place a fraud prevention framework, whereby various transactions are monitored by dedicated teams from the angle of fraud risk and Anti Money Laundering (AML).

Business Continuity Management

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

Information Security & Cyber Security

Your Bank has a robust information and cyber security framework for securing its IT infrastructure and systems. The Information Security Team headed by the Chief Information Security Officer (CISO) formulates and periodically reviews the information and cyber security policies and practices. Bank has a Security Operations Centre (SOC) which performs security monitoring round the clock. Dissemination of information and cyber security awareness among the staff and customers is undertaken on a regular basis through various modes.

Your Bank has received ISO 27001 accreditation for its critical IT areas including Data Centre, DR Site, ATM Switch etc. Your Bank has also received the PCI-DSS certification for its card payments infrastructure.

Internal Financial Controls

Your Bank has put in place comprehensive internal control framework and practices across all its business and support activities. The internal controls implemented are intended to manage/ mitigate the risks, ensure compliance with laws and regulations, and provide reliable and timely financial reporting.

Your Bank has sound processes for periodic assessment and review of internal controls. Risk Control Matrices are prepared for all processes and products. Risks inherent in all business/ support activities are identified and assessed on a periodic basis. The related controls are

Magicbricks

Federal Bank partners with Magicbricks for listing and e-auctioning of immovable properties, repossessed by the Bank through recovery proceedings. This new initiative of the Bank is aimed at speedy recovery of impaired assets of the Bank, which also helps the customers in getting the best rate in the market for their properties.

TOGETHER AS A TEAM

EXCHANGE OF SERVICE AGREEMENT

Federal Bank, Laxmi Tower, Mumbai



also identified and evaluated in terms of their effectiveness. The adequacy and effectiveness of these controls are independently assessed on a regular basis. Wherever gaps are observed, action plans are prepared and implemented by the product/ process owners for remediation of risks and control improvements. These aspects are periodically reviewed by the Operational Risk Management Committee.

Compliance with Basel framework

Currently, your Bank is using Standardized Approach for Credit Risk, Basic Indicator Approach for operational risk and Standardized Duration Approach in respect of market risk for computation of capital charge under Basel guidelines. The Bank is gearing up with data build up and system requirements for migrating to advanced approaches. Capital Adequacy Ratio of your Bank as on 31.03.2020 under Basel III norms stood at 14.35%. Your Bank's common equity capital level of 13.29% offers good cushion for further expansion and growth in asset portfolio and compliance with the requirements of Basel III norms. Capital adequacy ratio at consolidated bank level stood at 14.63%. RBI guidelines on Basel III demand building of capital and liquidity buffers in phases and seek to enhance the minimum core capital, introduce a capital conservation buffer, and prescribe a countercyclical buffer. Your Bank has complied with the guidelines for regulatory capital under Basel III norms and is fully prepared for moving on to complete Basel III compliance as per the implementation schedule prescribed by RBI. Your Bank has also complied with the Liquidity Coverage Ratio (LCR) prescribed under Basel III norms. The LCR of your Bank on a consolidated basis as on 31.03.2020 stood at 196.86%.

Capital Management Framework

Your Bank conducts Internal Capital Adequacy Assessment Process (ICAAP) to identify, assess and monitor risks that the Bank identifies as significant. 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.

Your Bank has a comprehensive Internal Capital Adequacy Assessment Process (ICAAP) Policy. The Pillar 2 risks, such as Liquidity Risk, Interest Rate Risk in Banking Book (IRRBB), Concentration Risk etc., and overall Risk Management practices as well as adequacy of capital under both normal and stressed conditions are assessed as per the policy.

Your Bank has a board approved stress testing policy that covers various extreme but plausible stress scenarios for various risk streams. The ICAAP assesses its capital and profit impact under each of such scenarios to help the senior management take strategic business

decisions. Capital planning ensures that the Bank is adequately capitalized for the period ahead and has sufficient buffers to withstand stress conditions.

Compliance Risk Assurance

Rising expectations of an ever-increasing customer base to have anywhere and anytime banking in a safe and secure mode, growing product profile in a fast advancing technology sphere and the stricter regulatory environment, call for a strong compliance framework in the Bank for management of Compliance Risk.

A Compliance Risk Assurance Cell (CRAC), under the guidance of Chief Risk Officer is functioning in your Bank since May 2019 to check the various regulatory and internal compliance. CRAC works with the aim to assure total compliance in the system at all points of time. The unit is also involved in a detailed study on various processes and procedures in vogue, to identify process gaps, if any. The key is in ensuring enduring sustainability in compliance.

Covid -19 Concerns

Outbreak of Covid-19 pandemic poses serious threat to lives and livelihoods across the World. The pandemic could severely impact the global economy and India will be no exception. The impact of the pandemic can pose challenges in the business continuity, asset quality and liquidity position of your Bank. The RBI and Government of India have come out with various measures to manage the situation. Your Bank is closely monitoring the position and necessary steps are in place to ensure business continuity. The credit quality is being assessed under various stress scenarios at close intervals. Liquidity position is closely watched and contingent liquidity position as well as available sources of funds to meet contingent scenarios are assessed periodically.

Human Resources

Being the FIRST CHOICE is the focus of your Bank and there are a lot of efforts in ensuring this thoughtful HR decisions and progressive activities. There is no exception to this as an employer. Your Bank has been implementing several employee friendly engagements, which blend with the theme of digital interventions. Measures relating to communication, learning, recruitment, planning, performance monitoring, welfare and wellbeing are implemented with digital as the pillar and being the FIRST CHOICE as the purpose – FIRST CHOICE for the Customers, FIRST CHOICE for the Investors and being the FIRST CHOICE for the Employees. The total human capital of the Bank stands at 12496 as at the end of financial year. The average age of the employees of your Bank is 37 years and the current male-female ratio of the Bank is 60:40.

Employee Engagement

Your Bank has an employee engagement team, which follows an organised calendar of activities for the whole year. In order to

make the working environment more engaging, HR Department of your Bank periodically announces activities and contests that help in nurturing the varied interests of employees. Every zone in your Bank with the involvement of employees, observes national and international days of importance like International Yoga Day, World Environment Day, et al. Relief and support activities are ensured with active participation of the employees at the time of natural calamities/disasters. These activities cement together families and communities of different profiles within the institution, work towards strengthening relationships between team members so that the teams find the comfort of working with a sense of belonging.

Major engagement activities in your Bank are rolled out aimed at strengthening relationships among the team members and to ensure that the employees get a sense of recognition for the efforts they have put in for the organization. Employee Volunteering in CSR has been conceptualised, documented and ready for implementation. This will be an important programme that would engage the employees and would boost their morale.

Zonal HR officials, the extended arm of HR Department, play a pivotal role in reaching out to every employee in your Bank. Family gatherings/picnics, sports/ leisure activities for employees and their families, Inter-Region sports/ games, blood donation camps, Health Awareness Talks, Medical checkups, talks/ interaction with eminent personalities of the society are periodically arranged for the employees through the active and thoughtful involvement of Zonal HR officials.

Employee Communication

Transparency, Accuracy, Currency and Accessibility are ensured through various communications that emanate from HR Department of your Bank. Periodic messages from CHRO stresses upon the vision of the organisation and specifically on the role of HR in the Bank towards the journey of being prominent and dominant. The messages emphasise the need for having new and innovative thinking, the efforts that one needs to get aligned to the theme of Presence to Prominence and Prominence to Dominance and also on how crucial it is to stay relevant and compliant. Various employee wellbeing programmes are conducted which include SMILES, the employee counselling programme, the details of which are periodically intimated to the employees.

Yammer, an internal digital networking platform, has been instrumental in upward and downward communication in the organisation in a regular fashion, which also helps in promoting digital media in communication. The need for maintaining strict compliance culture is ensured through periodical publishing of the series, Intensify Due Diligence.

Employee Welfare and Wellbeing

Your Bank takes care of its employees through various thoughtful

welfare and wellbeing measures that are developed from time to time according to the evolving needs. Maternity Connect and FedCradle take care of the expectant/ new mothers in your Bank with much concern. FedCradle, a crèche facility for the small children, started functioning at Ernakulam from the month of May 2019 to ensure convenience of the employees working at Ernakulam. Initiatives like Talent Time and Sparsh have been helping in shaping the future of the children of the employees and equip and prepare them to face the challenges of life with courage, conviction, passion, intellect, value orientation and the right attitude. The efforts help the children acquire basic skills in adapting themselves to the constantly changing realities of life, in developing a better personality and finally in making themselves true human beings. Odyssey, the retirement planning programme organised by your Bank helps to organise the financials, do tax planning and also gives some emotional support to the retiring employees.

Your Bank has an Employee Grievance Redressal Forum which is headed by the Executive Director of the organisation. Internal Complaints Committee is constituted to address the issues related to Sexual Harassment for Women at the workplace.

Resource Reskilling

Your Bank has been focusing on Talent Reskilling Strategy through internal grooming and external absorption in alignment with the business transformation. The reskilling activities at branches considering the process and business transformation which the Bank has undertaken at branches have helped to enhance the business per employee. The concept of Branch Light-Distribution Heavy, Relationship Model and New Business Verticals refer to the thrust given to HR strategy in your Bank. Your Bank is achieving these objectives through digitalization, centralization of activities and learning programs focusing on customer service, sales and relationship banking. Internal Talent Pool was identified and redeployed to spearhead the activities at specific geographies as Wealth Management RMs, Corporate Salary RMs, Priority Banking RMs, HNI & NRI Business Development Managers, CB & CIB RMs, Treasury Sales RMs, Government Business RMs, CV/CE RMs, Retail RMs and Fee Income RMs. External hiring was initiated for specific specialist leadership roles in CB & CIB, Retail Unsecured Products, Business Solutions- Wholesale Banking etc. Though the relationship portfolio was strengthened with experienced personnel from the industry being hired in supervisory roles, the Officers at field level were deployed from the internally available talent pool in various relationship verticals / verticals formed on account of reorganizations.

Reimagining Recruitment

FedRecruit, the AI based flagship HR -Tech Solution of your Bank reimagined the traditional hiring practices through digital disruption encompassing Robotic Interview, Game Based Simulations,

Chatbots, Mobile Application for real time candidate engagement etc., arguably the first of its kind in India. This new initiative has resulted in measurable efficiencies in the recruitment cycle, resulting in faster candidate profiling, greater stakeholder engagement, employer branding, superior hiring and better analytics. The solution has already received multiple awards including - Talent Accelerator - Country Winner at IDC Digital Transformation Awards for India 2019, Innovation in Recruitment & Best Candidate Experience at Asia's Best Employer Brand Award – 2019 and Best Use of Artificial Intelligence at Technology Senate Awards 2019 –Indian Express Group.

Employee and Industrial Relations

The Industrial Relations scenario during the last year had been very congenial. The progressive HR practices of your Bank equip to maintain good relations with various representative bodies. Staff Accountability Policy of your Bank ensures that proper procedures and processes are followed by employees in each and every decision making process thereby ensuring total compliance.

Talent Development and Training

Training Division of your Bank constantly endeavours to bring in innovative measures for reskilling employees and to make them future ready and relevant in the VUCA (Volatile, Uncertain, Complex, Ambiguous) world. With a training framework having centralised, decentralised and digital options, intensive functional and behavioural training is given to employees, based on a Training need analysis conducted at the beginning of the Financial Year. An Academic Council chaired by Executive Director and Chief Human Resources Officer with members drawn from various functional and business verticals, field representatives and faculty team meets twice in a financial year to chalk out the priority training areas for the Bank and to review the progress and effectiveness of training interventions. Your Bank has a bouquet of synchronised learning sessions such as instructor-led live webinars and webcasts and recorded video tutorials focusing on skill development and building functional expertise among employees. An exclusive in-house online channel was launched to serve as an internal broadcast channel for dissemination of knowledge within the organization.

Your Bank provides around 100+ self-paced e-learning courses for its employees, under mandatory and role-specific learning and follow up of learning completion is done through Robotic Process Automation. Self-paced e-learning modules of IIBF were made available to our employees and mandatory learning modules like Information Security, KYC, BCSBI etc. were provided for the employees for self-learning and 99% of our officers and executives and 81% of total employees have participated in various e-learning programmes.

Training Highlights FY20

Your Bank has B2B Learning wherein 81% of total employees was

trained under various training programmes during the financial year, right from Board members to Bankmen. Out of a total 16372 attendees, 11590 were trained focusing on compliance and leadership skills, at their respective geographies resulting in travel cost savings and man-hour savings, and also contributing to the Bank's environment/green initiatives. Learning through webinar and MS Teams platforms, a futuristic approach of leveraging technology in training enabled us to adapt to the new emerging trends. Your Bank conducted programmes and workshops like Comply and Grow, Aspire, Lumineux, Xcelrate where selected employees were given special trainings based on their potential and performance.

Key Numbers 2019-20

- Against a total employee strength of 12496, training was provided to 10038 employees in the current FY under 804 classroom and online training programmes, (including 406 employees trained at external institutes)
- 4.35 Lakh e-learning hours generated under various mandatory and self-paced e-learning modules, which is equivalent to average 4 days of training to each employee. 10136 employees participated in various e-learning courses
- 10 out of 11 Board members and 48 out of 81 (59%) Senior Management Executives underwent Certification in IT and Cyber Security at IDRBT, Hyderabad in compliance with RBI guidelines.
- E- Learning on Cyber Security is provided to all levels of employees from Clerks to Senior Management members (10136 members) as part of the mandatory learning programme.
- Pan India training drive on Compliance (8076 employees were trained in 363 programmes)

Performance Management System

Performance Management System in your Bank helps employees stay focussed and ensures continuous improvements at the Individual, Group and Organizational levels. Half-yearly Performance Review Discussions and Year-end Performance Evaluation are conducted and the performance of Officers against their set goals are analysed. The Officers are given online feedback on their level of performance against the allotted goals. Employees awarded with lower grades are given opportunity to submit their grievance through an online platform. An independent committee will look into the grievances and arrives at a judicious decision, which is communicated to employees concerned.

Inspection and Audit

Inspection and Audit independently evaluates the adequacy, completeness, operational effectiveness and efficiency of all internal controls, risk management/governance systems and processes of your Bank. The Audit Committee of the Board provides direction and reviews the adequacy of internal audit function including its

reporting structure, staffing, coverage and frequency of audits. The Head of Inspection & Audit Department is designated as the “Internal Auditor” of the Bank and reports directly to the Audit Committee of the Board, with administrative reporting to the Executive Director & CFO. An executive level committee named the “Inspection Review Committee of Executives” headed by the Executive Director & CFO oversees the audit and inspection functions and reviews the audit procedures and methodologies, effectiveness of audit systems, progress in completion of audits, risk rating of branches and significant audit findings. The Audit & Inspection Policy, Information System Audit Policy and the Internal Audit Procedure & Guidance Manual, which serve as the basic guidance documents for internal audit function, were subjected to annual review during the year. The review covered appropriate modifications and refinements based on the observations made by Reserve Bank of India in the Risk Based Supervision, other regulatory guidelines, changes in internal rules and guidelines, directions of the Audit Committee of the Board and the Board of Directors. The review and modifications ensured that audit systems and procedures are contemporary and continued to be an effective tool for monitoring control and compliance in your Bank.

Internal Financial Controls (IFC) framework

Your Bank has formulated Internal Financial Controls (IFC) framework, a set of guidelines policies and procedures adopted by the Bank to ensure orderly and efficient conduct of its business, as per the requirements of Companies Act, 2013. IFC framework involves the identification of key business processes, risks involved and the controls to mitigate the risk and documentation of controls - Risk and Control Matrix (RCMs). IFC framework further envisages the evaluation of design and operating effectiveness of the control environment periodically. Inspection & Audit is responsible for self-assessment of the Bank’s internal financial controls by testing and validating the effectiveness of controls on an on-going basis.

All activities (including outsourced activities) and all entities (including subsidiary companies) of your Bank fall within the ambit of internal audit. The major audits undertaken by your Bank during the financial year are:

- **Risk Based Internal Audit** - Your Bank has leveraged on Risk Based Internal Audit (RBIA) as a tool to assess the risks in its processes, operations and effectiveness of related controls. Risk Based Internal Audit conducted at branches focuses on prioritizing the audits and audit resources based on the level of inherent business risks and control risks. 894 Risk Based Internal Audits were conducted during the year.
- **Information System Audit** - Information System Audit collects and evaluates evidence to determine whether the information system safeguards assets, maintains data integrity and availability, achieves organisational goals effectively and consumes resources

efficiently. It focuses on the risks that are relevant to information assets and assesses the adequacy of controls implemented for mitigating the risks. All critical IT infrastructures in your Bank are subjected to Information System Audit by information systems professionals from reputed CERT-IN empanelled external audit firms and Certified Information System Auditors (CISA) of your Bank. Critical Information Systems are subjected to Vulnerability Assessment & Penetration Testing (VAPT) every quarter. In addition to this, Information System Audit covering physical security of IT systems, core banking system operations, business continuity procedures and cyber security is conducted at branches/ offices. During the year 2019-20, Information System Audit was conducted in 1419 branches/ offices.

- **Management Audit** - Management Audit in your Bank essentially focuses on identifying the adequacy and effectiveness of processes adopted for decision making in various Head Office Departments of the Bank, Zonal Offices, Large Corporate Hubs, National and Regional Credit Hubs, Loan Collection & Recovery Divisions, Currency Chests, Regional Cheque Processing Centres, your Bank’s Subsidiary Companies etc. The feedback from management audit is relied upon by the auditee units to improve the processes, procedures and systems in place in such offices. During the year 2019-20, Management Audit was conducted in 120 offices.
- **Offsite Audit** - Offsite audit is a forward looking diagnostic tool to identify gaps in the systems and procedures of your Bank. The entire revenue audit in your Bank is undertaken through offsite audit. Your Bank is leveraging on Computer Aided Audit Tools (CAAT) for generating and analysing exceptions while conducting offsite audits.
- **Concurrent Audit** - Your Bank is increasingly relying on ‘Concurrent Audit’ as an early warning system to ensure near real-time detection of irregularities and lapses. The Concurrent Audit is also used as a tool to prevent frauds in your Bank. During the year under review, concurrent audit was in place in 277 branches and 53 offices, covering 67.07% of total advances and 57.48% of total deposits of your Bank. The offices covered under concurrent audit include Treasury Department, Operations Department, Loan Collection and Recovery Department, Zonal Credit Administration Divisions, Depository Participant, International Financial Service Center Banking Unit, National Credit Hubs, Large Corporate Hubs, Regional Credit Hubs, Centralized Retail Credit Hubs, Exceptionally Large and Very Large Branches, Forex B Category Branches and Branches where RBIA risk rating is assessed as “High”. Concurrent Audit is also introduced in all the currency chests during the year as required by the Reserve Bank of India. 277 Chartered Accountants, 39 retired Bank officials and 13 serving officers were engaged for concurrent audit during the year.

Inspection & Audit Department is manned by appropriately qualified personnel and has a staff strength of 108 officers (as on 31.03.2020) with expertise and exposure in all activities of the Bank such as branch operations, credit sanction, credit monitoring, clearing operations, information technology, risk management and treasury operations.

During the FY20, audits were undertaken at various operating units considering the audit universe and in tandem with the Annual Audit Plan approved by the Audit Committee of the Board. Data on major audits conducted during the year are as follows:

Type of Inspection/Audit	Number of Audits conducted
Risk Based Internal Audit	894
Information System Audit	1419
Management Audit	120
Revenue Audit	1241
Gold Loan Audit	1841
Credit Audit	1547
Legal Audit	372
Bi-monthly audits at Currency Chests	49
Audits of outsourced agencies/ managed services	82

The compliance position of audit comments has improved during the year 2019-20. A significant reduction of 25% is observed on year-over-year basis in the position of audit comments outstanding for rectification.

Transaction Monitoring and Fraud Prevention

Your Bank is having a fully equipped Transaction Monitoring & Fraud Prevention Department with state-of-the-art monitoring tools working round the clock. The transactions in Core Banking, various online channels and those related to money laundering are monitored by the Transaction Monitoring Team. AML Cell functioning under the department is monitoring transactions from money laundering and CFT angles. Monitoring of POS acquiring and Payment Gateway (Cards) transactions is also under the purview of the department to have a holistic control over the transaction monitoring activities of the Bank. The department verifies KYC modifications carried out by the branches to uphold high level of compliance. Proactive Risk Manager (PRM) tool has been implemented for monitoring debit card transactions in view of the increased technology led vulnerability in the market. Other special tools are also used for monitoring cyber frauds. The card monitoring activity is taking place round the clock. Transaction Monitoring Team could identify suspicious online transactions and take immediate remedial measures to prevent further occurrence. The close association with the Cyberdome of Kerala Police has been instrumental in preventing many fraudulent transactions and making recoveries to an extent. Recognizing the proactive efforts in mitigating the Digital Banking Frauds your Bank

has been conferred with the Best Performer Award by Kerala Police Cyberdome.

Legal Compliance

In recent times, the legal environment in the country has become very dynamic with new laws and amendments to existing laws being enacted at a very brisk pace. In order to cope up with these changes and ensure legal compliance, it is imperative that a robust Legal Risk Management process is laid down to mitigate the legal risk, which falls under the larger umbrella of operational risk. Your Bank has a healthy compliance and legal risk management culture as well as processes designed to ensure legal and regulatory compliance as well as to detect and prevent any breaches. Legal Department of your Bank frames processes and controls that can efficiently manage and mitigate the legal risks stemming from the daily business transactions of the Bank. Your Bank has a well laid down system, which ensures that the documentation processes are contemporary and in tune with industry standards, which minimizes the menace of legal risk and in the meantime enhances customer experience.

Legal Hubs are set up at all the Zones of the Bank to ensure compliance with local laws and render legal support to branches, underwriting teams and credit administration teams. New products, processes and schemes introduced by your Bank invariably undergo legal vetting by the Legal Department for ensuring legal compliance and proper analysis of legal risks involved. The Legal Department is rendering professional and expert advice on various legal issues associated with your Bank. With the strong objective of making your Bank a Zero Customer-Complaint Bank, strenuous efforts are being made to reduce the number of suits/ complaints filed against the Bank before different courts/ consumer forums. The fortnightly publication of "Legal Decisions Affecting Banks" circulated by Legal Department based on verdicts rendered by Supreme Court/ various High Courts/ Tribunals coupled with various educational circulars issued by Legal Department keep all the teams well informed on legal challenges/ issues and steps to be taken to avert compliance failures. Legal Department, a repository of statutes, updates the teams/offices/branches of the relevant amendments/ modifications made to statutes from time to time. Standard Loan Agreements are modified/ simplified from time to time to make them contemporary and in tune with industry standards. Legal Department has formulated a framework for legal compliance of local laws compiling the Land and Stamp Laws, related customs and practices etc., in vogue in different states and also published Stamp Duty tracker for guidance of branches/ offices, especially for the use of those who are posted to a branch outside their home state. The department has been extending faculty assistance to Federal Knowledge and Development Centre for holding sessions on legal topics. With a view of imparting awareness on latest developments/ amendments in law and to strengthen the knowledge base of the Legal Officers of the Bank, the depart-

ment is conducting Biennial Conference of Legal Officers where legal luminaries address the participants on contemporary topics. Legal Department is also conducting Panel Advocates Meet across various Regions/Zones, which helps the Bank in understanding the best practices on the legal/documentation side and also in deriving optimum services from the panel advocates. Interactions are also held through audio visual means amongst the members of Legal Department and Legal Hubs, which helps in value addition and also resolve the hitches faced by the Legal Hubs, thereby enabling them to function efficiently and contribute to the overall growth of the Bank.

Regulatory Compliance

Compliance Department is the guardian to the rule books of the bank and regulator. It protects the Bank from taking excessive risks by ensuring that the business is within the regulatory parameters.

Compliance Department of your Bank is staying abreast of the changing regulatory requirements, expectations and industry practices. The Department is ensuring the best practice of compliance across various levels of your Bank. The Compliance Policy formulated by the Bank empowers the compliance function as an adequately enabled, strengthened and independent unit. The policy helps to ensure the effective monitoring and co-ordination of the compliance functions in the Bank. The policy is reviewed periodically and suitable changes are made to fall in line with the guidelines issued by the regulators from time to time. The Compliance Manual which contains the compliance functions of each and every unit in your Bank serves as a guidance material for branches/ offices. It is comprehensively updated to stay contemporary. Your Bank has a well laid-down procedure and online mechanism to monitor the compliance functions. A network of compliance team is available for overseeing the compliance functions at various levels. Compliance Monitoring Officers have been nominated in all units to monitor the compliance functions and to develop a robust compliance culture in the Bank. Your Bank is focusing on employee education through circulars, frequent contact sessions, e-learning, online quizzes etc, to sensitize them on the need for a strong compliance culture and also striving to develop a robust/ dynamic compliance culture in the Bank. For all matters related to compliance, the Department is functioning as a focal point for regulators like RBI, SEBI, IRDA, etc.

During this financial year, the Compliance function has been further strengthened by addition of specialized external talent, implementation of various regulations across the Bank and proactive detection of any compliance lapses coupled with quick remediations. To ensure compliance with all regulatory aspects and robustness of the controls, the Department has strengthened the monitoring and conducted thematic reviews. The Department has also introduced a Compliance Risk Management (CRM) framework covering regulatory and business compliance.

Marketing

Marketing campaigns of your Bank in FY20 were driven by the guiding principle "Presence to Prominence (in Network 2) and Prominence to Dominance (in Network 1)." Marketing Department deployed various media and platforms for realization of this ambition. Marketing and branding campaigns employing conventional and digital media, roadshows, brand associations and many other time-tested and novel channels were run during this year. The approach adopted for events and public relation activities was aimed at reaching all quarters of the country, more particularly the target geographies.

Various campaigns with varied objectives were carried out through the year across various media. A 3600 campaign specifically promoting gold loans, a series of activities for increasing debit card spend which is expected to contribute in new customer acquisition and CASA balance increase and a testimonial campaign on radio in Mumbai in association with Radio City were some of the major ones. Your Bank was the lead sponsor of North East United team which represents eight states in Indian Super League in the FY20. This has improved the national level visibility of the brand and helped reaffirm the Bank's focus on the north east market.

It was in this FY that your Bank got listed in the Forbes Magazine's list of Best Over A Billion Companies from Asia Pacific region. The Bank became one of the top 10 banks to improve their positions in the Top 500 Banking Brands list of the Banker Magazine in the year. The possibilities of social media were leveraged for brand promotion during the FY. Encouraged by the impact that digital campaigns created, a very conscious and extensive groundwork was done in the year for a confident take off in digital marketing in FY21.

Service Quality

Banking Industry has been facing tough competition from FinTechs and increased reliance on technology-based solutions to overcome day-to-day challenges has made it imperative to promote a culture of innovation leveraging technology, to reform existing products and procedures for delivering better quality. Your Bank initiated a Quality movement in 2012 with the following objectives:

- Ensure standardization of the look of branches and the feel of customer experience
- Raise the performance of all branches pan-India with regards to customer experience
- Ensure uniformity and predictability across the Bank's touch points.
- Create system, processes and procedures capable inherently of continuous improvement
- Ensure standardization of customer communication

Your Bank has employed a dedicated team to facilitate identification and implementation of process improvements, which are critical

FedServ Vizag

FedServ, a wholly owned subsidiary company of Federal Bank, started operations from Visakhapatnam. This is the second centre for FedServ with the first one located at Kakkanad, Kochi. FedServ integrates and handles operational activities of the parent company Federal Bank.



from a customer point of view. The team liaises with other teams to evaluate various customer touch points and strives to improve various services. The team had identified and executed a total of 155 process improvements, large and small, to ensure responsive and frictionless customer service. To highlight a few, facility has been provided to customers to download email account statements and various certificates relating to deposits and loans, introduction of nomination facility for Gold Loans, generation of SOFT PINs for setting ATM PIN through ATM itself, facility to avail Loan Against Deposit via Missed Call and SMS, improvisation of Customer Contact Centres with the addition of several vernacular languages etc. Branches utilize a dedicated ticketing system for speedy processing of various customer requests and respond to queries within predefined TAT.

Your Bank has also implemented RBI guidelines on limiting customers' liability for unauthorized electronic banking transactions, which will help to minimize customers' liability in the event of unauthorized electronic banking transactions and reporting of such transactions can be done through Branch, Call Center, Email, Website and SMS. A dedicated team ensures harmonization of TAT with regard to this.

Customer Grievance

a	No. of complaints pending at the beginning of the year	1354
b	No. of complaints received during the year	200249
c	No. of complaints redressed during the year	199911
d	No. of complaints pending at the end of the year.	1692

Awards passed by the Banking Ombudsman

a	No. of unimplemented awards at the beginning of the year	1
b	No. of Awards passed by the Banking Ombudsman during the year	1
c	No. of Awards implemented during the year	Nil
d	No. of unimplemented Awards at the end of the year.	2@

@ One Award pending from 2012. Appeal rejected by Appellate Authority, case filed in high court and stay obtained.

@ One Award pending in 2020. Appeal filed by Bank is still pending at Appellate authority

1692 complaints outstanding were received during last two weeks of the FY. Out of the complaints 3.5% are process related 0.4% are loan related, 91.12% are ATM/ CDM/ POS related, 4.4% are deposit related, 0.29% are related to ombudsman complaints and 0.29% are related to various other areas. Your Bank is having a process of root cause analysis of the complaints leading to fine tuning of process and bringing in corrections wherever necessary.

Customer Delight

Your Bank is always keen on relationship building, customer

convenience and delight. Your Bank, with the purpose of enhancing customer experience and brand trust initiated opening of new branches, capacity building of contact centre, customer satisfaction survey, web based portal for self-service, digital products and observes customer-day on 15th of every month. Branches are also sanitized and provided with fine interiors that are on par with all good banks in the country and standardized furnishing with spacious elegant customer lobbies and centralized air-conditioning. The security aspect has been given utmost importance with modern equipments like closed circuit TV, motion sensors, infra-red cameras and fire alarm systems. Your Bank has started online real time remote security and surveillance of ATMs and branches. The Bank is progressively equipping its branches with fake note detectors, note sorting machines and currency authenticating machines in compliance with regulatory guidelines. Your Bank has installed 1937 ATMs/Cash Recyclers which will enable customers to withdraw/ deposit cash in their account 24 X 7. Your Bank has installed solar power plant at Varapuzha and Kochi branches as part of green planet initiatives. The Bank is focussing on ensuring excellence in operations, service delivery with least gaps based on customer feedback and strives to maintain high level of customer satisfaction along with reduced count of customer complaints through an efficient redressal mechanism.

Customer Satisfaction Survey

It is important for the Bank to ensure a robust process of evaluating customer satisfaction. A customer survey was conducted across selected sample of customers during the FY20. The whole survey was conducted via face to face personal interviews using structured questionnaires. Assessment tool used for the survey was NPS (Net Promoter Score) based evaluation. NPS identifies the level of advocates and critics within the customer base. Objective of the survey was to assess the satisfaction level among the customers for selected parameters, recommendation for the Bank by customers vis-a-vis the competition, involvement of customers with the Bank, customer perception about the customer centricity of the Bank. With a score of 73, NPS for Federal Bank is high and ranks well amongst similar organizations in BFSI sector. Brand image and trust factors are identified as the key strengths of the Bank. This is followed by Mobile Banking, ATM, Branch and Internet Banking. Based on the report, the Bank has developed a set of key actions aligned to specific targets for improving the customer satisfaction level in all parameters, particularly in locations where the Bank has challenges.

Strategic Planning

It is said that, a well thought-out and clearly defined business goal, implemented with intentional actions, and combined with effective mind-set, will create desired outcomes. With this in mind, your Bank's Corporate Planning Department coordinates diverse functions including planning and budgeting, performance management

and measurement, strategic cost management, business analytics and management information systems. 'Branch Light Distribution Heavy' approach followed by the Bank ensures a healthy co-existence of the branch channel consisting of 1263 Branches, 1937 ATMs/Cash Recyclers, with alternate distribution channels like relationship managers, field sales teams, digital acquisition and, thereby leveraging multiple engines for customer acquisition and engagement, embracing its goals with focus, quality, granularity, regularity and sustainability. The department, through its various initiatives, brings synergy between the distribution channels to deliver desired results.

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

Under the watch of a core Analytics team, your Bank is consistently enhancing its analytical capabilities to harness optimally the potential of huge data resource available and stay abreast with latest developments in the analytics field. Capitalizing on the available customer, transactional and latent data like interactions, etc. and with the use of latest tools and techniques, the team is aligned with the principal objective of enhancing the customer experience and infusion of customer delight at each step by ensuring effective customer centricity fostering deeper relationships with maximized profitability. The analytical deliverables in the form of relevant quality actionable insights delivered in time to stakeholders at each level are derived not only from internal data but also by leveraging external data sources to ensure that right product is offered to the right customer at the right time using right channel warranting the customer wallet share to always point north. Augmenting informed decision-making process to capitalize on new opportunities as well as gearing up with optimal response to stressful times like Covid-19 is duly facilitated by the power of analytics and robust analytical frameworks in your Bank, fuelled by consistent look-out and tapping into relevant information at both micro and macro levels to carve newer opportunities and avenues for growth.

For any organization to survive in this complex business environment, it needs to know What, Why, and How to cut costs constructively. The Department plays a key role in aligning the cost structure of the Bank by developing clear cross-organizational cost agenda, making deliberate cost choices from the front line to the back office, focus on investing in differentiating capabilities funded by improvements in the cost structure brought in through protecting the 'good costs' and pruning the 'bad costs' thereby enabling growth in the longer term.

Corporate Social Responsibility

Major CSR Projects undertaken during FY 20

The Corporate Social Responsibility activities of the Bank touche a wider footprint through areas like Health, Education, Women empowerment, Environment sustainability and other activities permitted by the Schedule VII of the Companies Act, 2013. Federal Bank Hormis Memorial Foundation was set up by the Bank in 1996 in the fond memory of the Bank's founder Late Shri. K P Hormis. The foundation and its activities were inaugurated by the then Finance Minister Shri. P Chidambaram at Ernakulam on 18.10.1996. CSR projects are executed under the Hormis Memorial Foundation and the foundation is acting as a special vehicle for implementation of CSR activities of the Bank.

Major CSR projects undertaken during FY 20 are:

Donation to Army Welfare Fund

In the background of Phulwama Attack, as a mark of respect to our brave soldiers, the Bank had announced donation of ₹1.00 for each transaction done through the Bank's Retail Digital Channels during the period from 01.03.2019 to 31.03.2019 to Army Welfare Fund. The donation was made to Army Battle Casualties Welfare Fund on 22.08.2019.

Federal Bank Hormis Memorial Foundation Scholarships

The Foundation is providing scholarships to the deserving students for pursuing professional courses from the year 2005-06. From FY 20, additional Scholarships added for the benefit of wards of martyred Armed Forces Personnel. The Bank had received one application under the said category.

During the year 2019-20, the trust offered assistance to 113 meritorious students, 20 students from various streams – Medicine, Engineering, BSc (Agri), MBA and 32 students from BSc Nursing.

Federal Skill Academies

As part of the Corporate Social Responsibility initiatives, the Bank started Federal Skill Academy at Kochi on Founder's Day-2015, 18th of October 2015. The social initiative was launched to give wings to the youth belonging to the underprivileged section of the society.

The aim of the project is to impart skill training to unemployed and marginalized youth to empower, mentor and assist them to upgrade their skills for improved employability, increased efficiency and career growth. All expenses are borne by the Bank. For the smooth implementation of the project, the Bank joined hands with M/s SB Global Educational Resources Pvt Ltd as the implementing partner. On successful achievement of the objective of the first Academy, the Bank decided to expand the operations of the Federal Skill Academy to three more states, ie, at Coimbatore (2016), Kolhapur (2018) and Karnal (2019). The number of trainees has grown rapidly and it has created livelihood for the youth as well as contributed to the national skilling initiative

The courses offered at present are Heat Ventilation Air Conditioning (HVAC), RAC (Refrigeration and Air Conditioning), GMAW (Gas Metal Arc Welding), CNC Machine Operator cum Programmer, Automotive Service Technician, Plumber General, Solar Photovoltaic Service Technician, Two Wheeler Service Technician, Solar Electric system installer & Service Provider, Electronics Service Technician, BPO Non voice, Financial Accounting with Tally, Programmable Logic Control, Machinist, Print & pack technician.

During FY20, total admission in all centres counts to 1190, out of which 810 students completed the training programme, which includes Accounts & Tally Programme conducted exclusively for 35 women aspirants from Idukki District. The Bank has also provided boarding and lodging to the group. About 85% of this batch got placement in various firms.

2019-20 Performance Academy Wise

Sl No	Academy	Total Ad-mis-sion	Skilled	Placed	Un-der-going Train-ing	Wait-ing for Place-ment	Place-ment%
1	Kochi	217	148	130	37	0	87.83
2	Coimbatore	389	333	286	56	0	85.88
3	Kolhapur	324	243	200	54	27	82.30
4	Karnal	260	86	69	80	0	80.23
	Total	1190	810	685	227	27	

Federal Bank Speak for India 2019-20– Youth engagement initiative

In the year 2014-15, Federal Bank launched a state-wide student debating competition in Kerala under the auspices of Federal Bank Hormis Memorial Foundation. This Financial year, it covered seven states– Kerala, Karnataka, Maharashtra, Tamil Nadu, West Bengal, Gujarat and New Delhi under this mass youth engagement program. The initiative was attended by more than 1,80,000 students from seven states. The contest provided a platform for the college

students, right from the block level upwards, to showcase their reasoning talents that will take them forward in the path of self-development. The initiative was conducted in association with media partners- Times of India, Mathrubhumi Printing & Publishing Co, Dainik Bhaskar and Hindustan Times.

Grand finales of the Speak for India debating competition FY20 of all states except Gujarat and New Delhi have been conducted. Grand finales of Speak for India –Gujarat and New Delhi, which were scheduled in March 2020, had to be postponed due to the Covid-19 lockdown imposed by the Government.

CSR Activities - Founder's Day

Every year the Bank celebrates 18th October, remembering the birthday of visionary founder as CSR Day of the Bank. The Bank conducts various CSR activities through the branches Pan India to commemorate his vision.

More than 475 branches from all the nine zones conducted various CSR activities, which helped for the welfare of the society in general.

Sponsoring Trauma Care Units- Support to Sansad Mobile Swasthya Seva, Himachal Pradesh

Sansad Mobile Swasthya (SMS) is a public healthcare programme started by Sri Anurag Singh Thakur, MP from Himachal Pradesh (presently Minister of State for Finance, Govt of India). Sansad Mobile Swasthya comprises of Mobile Medical Units (MMUs) which ply to remote rural villages in Hamirpur Parliamentary Constituency of Himachal Pradesh. This programme was started on 14.04.2018, on the birth anniversary of Dr B R Ambedkar. Within a short span of time, a fleet of 19 Mobile Medical Units are plying in Hamirpur Parliamentary constituency, which covers 5 districts, 800 Panchayaths and 13000 beneficiaries.

Promoting Differently abled -Support to SCTIMST (Sree Chithira Thirunal Institute for Medical Sciences and Technology)

In 2017, Federal Bank joined hands with Sree Chithira Thirunal Institute for Medical Science & Technology for setting up a Comprehensive Centre for Cognitive Rehabilitation of Children with Neuro disorders. The center aims to provide high quality state of the art and continuing care for children with Neuro Development Disorders and providing adequate support to the child and family.

In phase I, it included setting up of sensory integration room, individual therapy rooms and paediatric physiotherapy unit at SCTIMST and the second phase envisages, a sensory park and sensory room at NISH. The first Phase of the project is completed which includes one-to-one therapy rooms, soft play area for occupational therapy and a paediatric gym. In the phase II (second year) of the project, sensory park and sensory room will be set up at National Institute of Speech and Hearing (NISH), Thiruvananthapuram, the work of which already started.

Promoting the Differently Abled- Various Projects

Apart from support to SCTIMST, the Bank extended support for various projects, which will benefit differently abled children and persons

- Academy of Magical Sciences, Thiruvananthapuram for setting up different art centre for differently abled children.
- Adarsh Charitable Trust for procuring therapy materials, and teaching materials for differently abled children.
- Raksha Society, Kochi, is providing free education and vocational training facilities to children and young adults with Neuro developmental disorders like, Cerebral palsy, Autism, Learning, intellectual and other multiple disabilities, belonging to the lower strata of the Society. The Bank supported the society to upgrade the bakery unit run by the society and to purchase a multipurpose vehicle to be used for outreach programme conducted by the society.
- Support to Developmental Disability Regional Office, Tuticorin for providing 10 retrofitted petrol scooters to differently abled persons.
- Support to Department of Social Security & Empowerment of Persons with Disabilities, Govt of Odisha for purchasing Yamaha battery operated Golf cart seater for transporting differently abled persons visiting the Centre.
- Support to Bai Jerbai Wadia Hospital, Parel, Mumbai for developing infrastructure facilities of Counselling Centre for differently abled children
- Support to Social Action Forum, Irinjalakuda for setting up a Vocational Training Centre at Asha Nilayam Special School, Kottanelloor
- Support to We Care Centre, Kanjirappilly for purchasing paper bag making machine as part of their Livelihood Enhancing projects for differently abled persons.

Health Care- Various Projects

- Support to Ambedkar Memorial District Cancer Centre, Manathavady, Wayanad for purchasing a brand new 125 KVA radiator cooled DG set.
- Support to Cancer Patients in Ernakulam General Hospital for meeting their expenses incurred for Chemo medicines
- Support to Little Flower Hospital, Angamaly for setting up a Modern Intensive Care Unit (ICU)
- Support to Mar Augustine Golden Jubilee Hospital (MAGJ Hospital), Mookkannur for installing Blood Component Separation Unit at their Blood Bank.

Prevention of Drugs & Narcotics Abuse among children

The Bank had supported Fourth Wave Foundation, for organizing

Asian Regional Forum against Drugs at Kochi. The Foundation works for creating an awareness against Drugs and Narcotics abuse among children.

Providing safe drinking water-Support to Thrissur Municipal Corporation

Thrissur Municipal Corporation (TMC) is the 5th biggest Corporation in the state of Kerala. TMC comprises of 52 divisions, 67000 households and is having a population of 316000 (approximately). The Corporation is the only local self-government institution in the State of Kerala having license to distribute Electricity and water to consumers residing under the erstwhile municipal limits of Thrissur Corporation.

Thrissur Corporation has approved a project for providing drinking water connections to all households falling under its jurisdiction, as there is shortage of drinking water in TMC area during peak summer. Corporation is supplying drinking water to the areas where there is scarcity of drinking water through tanker Lorries in summer. As part of the said project, Thrissur Corporation is planning to provide free water connection to the poor and BPL families by spending ₹ 5,000/- as subsidy. The Bank supported the project by sponsoring drinking water connections to 3000 BPL families.

In the wake of Covid-19, the project is yet to be implemented.

Welfare & Poverty Alleviation

- Support to Sree Narayana Sevika Sangham for construction of dormitory building for the use of 100 girl children
- Support to YMCA, Alangad for completion of houses for four economically underprivileged families, residing in the suburbs of Aluva, owning 3 to 4 cents of land and structure works of the houses have already completed.
- Support to Warriar Foundation- for Housing Project-Asritha Mandiram- implemented at Mazhuvannur, Ernakulam District- for construction of 9 houses for widows with girl child, who are economically weaker.
- Support to Rotary Club, Cochin Central, for construction of three houses for the economically underprivileged and the flood victims of North Paravur area
- Support to Good Hope Relief Settlement for maintenance works of the Destitute Home and for setting up Biogas plant at the Home.

Malayala Manorama- Padippura Prathibha Sangamam

The Bank provided support to Malayala Manorama "Padippura" for awarding Merit Medal and Certificate to felicitate the students who secures A+ in all subjects in SSLC Exam 2018-19 during May 2019 in all districts of Kerala. This is a state-wide programme and merit medals were given to 32000 students at meeting conducted in all districts of Kerala

Promoting Women Empowerment Project “Swayam Sakthi”

The Bank is supporting Drishtikona Consultancy and Program Management Services Pvt Ltd partnering with Himalayan Social Institute for the above project.

The Project envisages enabling Girl Children who have not completed their education by providing them ‘Bridge Education’. Regular classes will be conducted to impart knowledge and thereby ensuring enrolment of girls in their age appropriate grades in regular schools. The project is targeting age groups 11-14 years belonging to weaker sections/BPL families who have discontinued their education or have never attended school due to various socio-economic problems. Remedial Education is given to them for fulfilling their aspirations and dreams for a better livelihood and career prospects by continuing their study in a regular school.

This is a one year programme and is being implemented at Madawala, Panchkula District of Haryana.

Support to Light of Life Trust

Support to Light of Life Trust, Mumbai for the program, ‘Anando’ a program envisaged for children who are school dropouts belonging to the age group 11-18 years as to help them continue their education thus enabling them to lead a life of self-sufficiency and dignity. The program was implemented at Worli Centre for 56 students during the academic year 2019-20.

Promoting Environment Sustainability & Swachh Bharat SEED – Student Empowerment for Environment Development

To build awareness amongst student fraternity to conserve the earth’s natural resources, Federal Bank has been partnering with Mathrubhumi for SEED Programme since 2012. SEED (Student Empowerment for Environmental Development) is an initiative aimed at spreading the message of ecological conservation. Schools carry out simple but effective steps in environment protection like Planting and Protection of saplings, Agricultural Activities, Bio-diversity conservation, Energy Conservation, Conservation of Water bodies, Cleanliness and protection of public health, Reduce, Reuse and Recycle Plastic waste and intervention in local area environmental issues through SEED Police. The Bank has been supporting this noble cause for the past seven years.

Support to Various District Administration Bodies

The Bank provided support to various projects of different administrations

- Support to the District Administration, Ernakulam for District Collectors Scheme of providing RO drinking water facility in 36 government schools, which will also benefit the General Public
- Support to Tirunelveli Corporation, Chennai for purchasing Tipper Lorries for the Corporation for solid waste management
- Support to District Rural Development Authority (DRDA), Dhar-

mapuri for renovation of traditional ponds- The Onthiampatty Lake in MenasiPanchayath, Pappireddipatti Block, Dharmapuri District

- Support to Thiruverkadu Municipality for construction of 100 toilets for the houses in and around Thiruverkadu Municipality
- Support to Poonamallee Municipality for construction of 50 toilets in houses in and around the Municipality.

Rural Development Projects

Your Bank had embarked on a mission of digitization of Villages which started with Mookkannur Village in Kerala and Nilavarapetty in Tamilnadu.

This year, the Bank started with Mankol Village in Ahmedabad, Venmony Village in Alappuzha, Gudha Village, in Haryana and Mardhala, near Kadaba, Mangalore. The process has already commenced in all the four villages. The digitization and village adoption programme in villages Mankol, Gudha and Venmony were nearing completion by March, but culmination got deferred due to Covid-19 outbreak.

Disaster Relief

During August 2019, heavy southwest monsoon created enormous havoc in different parts of our country, claiming lives, damaging houses and destroying crops. Gujarat, Kerala, Karnataka and Maharashtra were severely affected.

In Kerala, Malappuram and Wayanad Districts, were the worst hit due to landslides and heavy rain. Maharashtra is also one of the worst affected states due to the incessant rains and nearly 4.48 lakh people were evacuated mostly from Kolhapur District.

As a token of our support to the flood affected people of these states, the Bank sanctioned various relief measures as given below:

- The Bank had given delegation to Zones- Kozhikode, Kottayam, Ernakulam, Thiruvananthapuram and Mumbai for undertaking flood relief measures
- Construction of 34 houses at Edakkara, Malappuram for flood affected SC/ST families in land allotted by the Government.
- The floods that happened in August 2019 affected Kolhapur District of Maharashtra State, claiming lives, damaging houses and destroying crops. The Bank selected two villages-Bastwad and Rajapurwadi in Kolhapur District for various relief activities which include construction of 80 houses, schools, providing milch cows and various other relief activities.

The above projects at Malappuram and Kolhapur are nearing completion.

- Support to Paradip Municipality for repair, reconstruction and renovation of their Aahar Kendra at Athabanki, Paradip, Orissa, which was destroyed during the Fani Cyclone

Disaster Management –Covid-19

During March, with the onset of the pandemic Covid-19, the Bank provided various relief measures as given below:

- Support to Kerala Social Security Mission (KSSM) by providing Kiosks and water taps at public spots
- Support to Kolkata Police Personnel by supplying masks, gloves and hand sanitizers
- Support to Delhi Traffic Police Personnel, Auto Drivers, E rickshaw pullers of Delhi for providing 1000 medical kits consisting of 200ML hand sanitisers, 4 surgical face masks and 4 hand gloves for 1000 families

Promoting Sports & Culture

- As a measure for promoting football amongst the underprivileged youth of North East Region- support was given to M/s North East Football Foundation for the running of their football academy during the year 2019-20
- Support to Redeem FC Kochi for running Football Coaching Centres at Kakkanad and Aluva for one year. The expenses include salary and accommodation of coaches, monthly rent of ground taken on lease, cost of uniforms, T shirts, Kit bags etc.

Ind AS Implementation

Reserve Bank of India (RBI) through press release RBI/2018-2019/146 DBR.BP.BC.No.29/21.07.001/2018-19 dated March 22, 2019 updated all scheduled commercial Banks that legislative amendments recommended by the RBI are under consideration of the Government of India. Accordingly, RBI had decided to defer the implementation of Ind AS till further notice.

Even though RBI has deferred the implementation, the Bank is gearing itself up to make all the systems in place to facilitate the Proforma submission to RBI. With respect to the various instructions from the Ministry of Corporate Affairs and Reserve Bank of India (RBI), the actions taken by the Bank are summarized as follows:

- A steering committee was formed by MD & CEO with ED & CFO as its Chairman with members from all cross-functional departments. There are various working groups formed among the concerned departments, which in turn reports to the steering committee on a fortnightly basis and discuss the progress made.
- The implementation of the IT solution procured to automate the computation of Expected Credit Losses (ECL), Effective Interest Rate, Fair valuation and other accounting changes required under Ind AS is in very advanced stages.
- The Bank also has assessed necessary changes required in existing IT architecture and other processes to enable smooth transition to Ind AS.
- A quarterly progress report on the status of Ind AS implementation in the Bank is presented to the Audit Committee of the Board.

- As directed by the RBI, the Bank is submitting quarterly Proforma Ind AS financial statements to the RBI within the stipulated timeline.
- The Training the employees is provided in a phased manner.

The key impact areas during the implementation of Ind AS for the Bank includes effective interest rate accounting, Fair valuation inputs, methodologies and assumptions, Specific valuation considerations in many instruments, Expected Credit losses, employee stock options and implementation of technology systems.

DIGITAL LOANS

Gone are the days of branch visit and paper work to get loans. Federal Bank offers zero paperwork, one click digital loans through various channels. The Bank's BYOM Personal Loans with insurance coverage can be availed with three clicks using a smart phone and an OTP authentication. Federal Bank has introduced various Digital Loans through multiple channels. A customer can avail Personal Loans through Google Pay & Paisabazaar. The Bank offers facilities for customers to do e-com and POS purchases using its debit card EMI feature. Debit card spends can be converted to EMIs later, using Flexi EMI loans. The Bank also offers doorstep auto and gold loans. Deposit customers can take a digital loan any time against their deposits in less than a minute through the Bank's digital channels.



A blue graphic with a white and yellow arrow pointing right, containing the text "Corporate Governance Report".

Corporate Governance Report

In terms of Regulation 34(3) read with Part C of Schedule V to SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations), a Report on Corporate Governance for the year ended March 31, 2020 is presented below:

Corporate Governance encompasses a set of systems and practices to ensure that the Bank's affairs are being managed in a manner which ensures accountability, transparency and fairness in all transactions in the widest sense. Bank maximizes shareholders value while safeguarding and promoting the interest of stakeholders and maintains a steadfast commitment to ethics and code of conduct. Besides adhering to the prescribed corporate governance practices as per Regulation 4(2) read with Chapter IV of the Listing Regulations, the Bank voluntarily governs itself as per highest standards of ethical and responsible conduct of business in all facets of its operations and in all interactions with its stakeholders, including shareholders, employees, customers and the community at large.

Corporate Objective of the Bank

Good corporate governance practices help support and strengthen corporate actions aimed at achieving the corporate objective. The Bank's principal corporate objective, like that of any corporate business entity, is to perpetuate its business while protecting and enhancing, over the long term, the value of the investments of its shareholders in the Bank.

The Code of Corporate Governance of the Bank was last amended in the Board Meeting held on March 13, 2020 keeping in line with the provisions of Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the same is available on the website of the Bank.

Board of Directors

The composition of the Board of Directors is governed under the relevant provisions of the Companies Act, 2013, the relevant Rules made thereunder, the Banking Regulation Act, 1949, the Securities and Exchange Board of India (Listing Obligations and Disclosure

Requirements) Regulations, 2015 (the Listing Regulations), the guidelines issued by the Reserve Bank of India (RBI) in this regard and the Articles of Association of the Bank. The Board of Directors of the Bank has an optimum combination of Executive and Non-Executive Directors with three Woman Directors and more than fifty per cent of the Board of Directors comprises of Non-Executive Independent Directors. The Chairperson of the Board is a Non- Executive Independent Director. The Board of Directors/Committees of Board periodically reviews compliance reports pertaining to major laws applicable to the Bank. All statutory and other matters of significance including information as mentioned in Part A of Schedule II to the Listing Regulations are informed to the Board to enable it to discharge its responsibility of strategic supervision of the Bank.

A. Composition of Board of Directors

As on March 31, 2020, Bank's Board consists of 11 members. Besides the Chairperson, a Non-Executive Independent Woman Director, the Board comprises of seven Non-Executive Independent Directors and three Executive Directors including two Women Directors representing diverse combination of professionalism, knowledge, expertise and experience as relevant for the banking business. None of the Directors of the Bank are related inter-se, in terms of Section 2(77) of the Companies Act, 2013, including Rules thereunder. The Board has confirmed the veracity of declaration of Independence provided by the Independent Directors and has taken the same on record. In the opinion of the Board, all the Independent Directors fulfill the conditions as specified in the Listing Regulations and are independent of the Management. Pursuant to the notification of the Ministry of Corporate Affairs dated October 22, 2019, an online data bank for the independent directors ("Data Bank") has been rolled out by the Indian Institute of Corporate Affairs and all the Independent Directors of the Bank had registered themselves in the Data Bank. The profile of Directors can be found at our website at www.federalbank.co.in at web link <https://www.federalbank.co.in/key-personnel>. The classification of the members of the Board is as follows;

Name of the Directors	Category	Number of Directors	% to total number of Directors
Ms. Grace Koshie, Chairperson	Non - Executive Independent Directors	8	73
Ms. Shubhalakshmi Panse			
Mr. C Balagopal			
Mr. A P Hota			
Mr. K Balakrishnan			
Mr. Siddhartha Sengupta			
Mr. Manoj Fadnis			
Mr. Sudarshan Sen			
Mr. Shyam Srinivasan	Executive Directors	3	27
Mr. Ashutosh Khajuria			
Ms. Shalini Warriar			
Total		11	100

During the year, Ms. Shalini Warriar (DIN: 08257526) was appointed as an Additional Executive Director on the Board of the Bank effective from January 15, 2020. Mr. Sudarshan Sen (DIN: 03570051) was appointed as an Additional Independent Director on the Board of the Bank effective from February 11, 2020. Mr. Siddhartha Sengupta (DIN: 08467648) and Mr. Manoj Fadnis (DIN: 01087055) were appointed as Additional Non- Executive Independent Directors on the Board of the Bank effective from June 13, 2019. The shareholders in the 88th Annual General Meeting held on July 25, 2019 approved the appointment of Mr. Siddhartha Sengupta and Mr. Manoj Fadnis as Independent Directors of the Bank for a period of five (5) years with effect from the date of their appointment by the Board.

The Board of Directors had appointed Mr. K Balakrishnan (DIN: 00034031) as an Additional Independent Director effective from September 25, 2018. The shareholders of the Bank at the 88th Annual General Meeting held on July 25, 2019 approved the appointment of Mr. K Balakrishnan as Independent Director of the Bank for a period of three (3) years with effect from the date of his appointment by the Board. The shareholders in the 88th Annual General Meeting held on July 25, 2019 approved the re-appointment of Mr. C Balagopal, as Independent Director of the Bank with effect from August 11, 2019 for a period of five (5) years or till the date of his retirement whichever is earlier.

Mr. Dilip Sadarangani (DIN- 06610897), Part Time Chairman and Independent Director of the Bank, retired from the Directorship of the Bank effective from September 08, 2019, upon completion of 70 years of age, in accordance with the regulatory requirements of Reserve Bank of India (RBI). Further, CA Nilesh S Vikamsey (DIN:00031213), Independent Director, retired from the Bank effective from June 24, 2019, upon completing his eight-year term as a Director on the Board of the Bank, in accordance with the regulatory requirements of RBI. The Board placed in its appreciation for the valuable contributions made by them for the overall development of the Bank.

Ms. Grace Koshie (DIN:06765216) was appointed as Part Time Chairperson of the Bank effective from November 07, 2019 till November 21, 2021 with the approval of RBI vide its letter DoR Appt. No. 3560/08.38.001/2019-20 dated November 07, 2019.

Mr. Shyam Srinivasan (DIN: 02274773), Managing Director & Chief Executive Officer of the Bank was re-appointed as Managing Director and Chief Executive Officer of the Bank for a period of one year effective from September 23, 2019 to September 22, 2020 with the approval of RBI vide its letter DBR Appt. No. 2280/08.38.001/2019-20 dated September 21, 2019.

Mr. Ashutosh Khajuria (DIN: 05154975), Executive Director and Chief Financial Officer was re-appointed as the Executive Director of the Bank effective from January 28, 2020 to March 31, 2021 with the approval of RBI vide its letter DoR Appt. No. 5116/08.38.001/2019-20 dated December 27, 2019.

B. No. of Board Meetings

During the Financial Year 2019-20, the Board of Directors met fourteen times on April 16, 2019, May 04, 2019, May 23, 2019, June 13, 2019, July 16, 2020, August 31, 2019, October 16, 2019, November 16, 2019, December 24, 2019, December 30, 2019, January 20, 2020, February 25, 2020, March 13, 2020 and March 24, 2020. The maximum gap between any two consecutive meetings was less than one hundred and twenty days, as stipulated under the Companies Act, 2013, Regulation 17 of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 and Secretarial Standards. In case of any exigency/ emergency, resolutions are also passed by circulation.

C. Details of Directors Attendance, Shareholding and other Directorships/ Committee memberships

Necessary quorum was present in all the Board meetings. Further, as mandated by Regulation 26 of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015, none of the Directors is a member of more than ten Board level Committees (considering

memberships in only Audit Committee and Stakeholders' Relationship Committee) or Chairman of more than five Committees across all public limited Companies (whether listed or unlisted) in which he/she is a Director. No Director of the Bank serves as Director or as Independent Director in more than seven listed Companies. The Whole Time Directors of the Bank are not holding, the position of Independent Director in any other listed Companies. Further,

all Directors have informed about their Directorships, Committee Memberships/Chairmanships including any changes in their positions during the year. None of the Directors have any business relationship with the Bank nor have received any loans and advances from the Bank during the year. The Bank has not issued any convertible instruments; hence, disclosure in this respect is not applicable.

Relevant details of the Board of Directors of the Bank as on March 31, 2020 are given below:

Name of the Director	Attendance Particulars		Attendance at the last AGM held on 25.07.2019	No. of other Directorships and Committee Memberships /Chairmanships held#			Shareholding in the Bank (equity shares of 2/- each)
	No. of Board Meetings			Other Directorships	Committee Memberships	Committee Chairmanships	
	Held	Attended					
Ms. Grace Koshie	14	14	Yes	2	1	1	Nil
Ms. Shubhalakshmi Panse	14	12	Yes	4	1	3	Nil
Mr. C Balagopal	14	12	Yes	1	Nil	Nil	Nil
Mr. A P Hota	14	13	No	3	2	Nil	Nil
Mr. K Balakrishnan	14	09	Yes	1	1	Nil	60,500 equity shares
Mr. Siddhartha Sengupta ¹	14	11	Yes	3	2	1	Nil
Mr. Manoj Fadnis ¹	14	11	Yes	4	1	4	Nil
Mr. Sudarshan Sen ²	14	03	NA	Nil	Nil	Nil	Nil
Mr. Shyam Srinivasan	14	14	Yes	2	Nil	Nil	7,98,595 equity shares
Mr. Ashutosh Khajuria	14	13	Yes	1	1	Nil	2,52,000 equity shares
Ms. Shalini Warriar ³	14	04	NA	1	Nil	Nil	Nil
Mr. Dilip G Sadarangani	14	06	Yes	Retired on September 08, 2019, upon completion of 70 years of age			
CA Nilesh S Vikamsey	14	04	NA	Retired effective from June 24., 2019, upon completing his eight-year term as a Director on the Board of the Bank			

¹Mr. Siddhartha Sengupta and Mr. Manoj Fadnis joined as Independent Directors of the Bank w.e.f June 13, 2019.

²Mr. Sudarshan Sen joined as Additional Director (Independent) of the Bank w.e.f February 11, 2020.

³Ms. Shalini Warriar joined as Additional Director (Executive) of the Bank w.e.f January 15, 2020

Note:

1. # For the purpose of considering the limit of the directorships, all Public Limited Companies, whether listed or not, are included. Private Limited Companies, Foreign Companies and Companies under Section 8 of the Companies Act, 2013 are excluded.

2. Includes only Memberships of the Audit Committee and Stakeholders Relationship Committee in Public Limited Companies (listed and unlisted). The Chairmanship/s if any, held by Directors in any Committees of other companies are not counted again in the membership column.

Details of other Board Directorships are separately mentioned in Annexure 1 to this report.

D. List of core Skills/ Experience/Competencies identified by the Board

The Bank considers the principles relating to fit and proper norms as prescribed by the RBI and confirms that each Director is also in compliance with the norms as prescribed by the Ministry of Corporate Affairs and the Securities and Exchange Board of India (SEBI) under applicable laws, whilst determining the composition of its Board.

Section 10A (2) of the Banking Regulation Act, 1949 read with RBI notification no. DBR. Appt. BC. No.38/29.39.001/ 2016-17 dated November 24, 2016, requires that not less than 51% of the total

number of members of the Board of Directors of a banking company shall comprise of persons who shall have special knowledge or practical experience, in respect of one or more of the matters, namely: Accountancy, Agriculture and rural economy, Banking, Co-operation, Information Technology, Infrastructure sector, Human resources, Core industries, Economics, Finance, Small – Scale Industry, Law, Payment & settlement systems, Risk management, Business Management. The Bank is in compliance with the above requirements as the Directors of the Bank has rich experience and specialized knowledge in the said areas of relevance to the Bank.

The Bank has identified above Skills/Expertise/Competencies as required to be possessed by its Board, in the context of its businesses and the sectors, for it to function effectively. The details of the names of the Directors possessing the required Skills/Expertise/Competencies are detailed as under:

Sl no.	Name of the Director	Special Knowledge / Practical Experience
1	Ms. Grace Koshie	Banking Economics Governance Compliance
2	Ms. Shubhalakshmi Panse	Banking Economics Small Scale Industries
3	Mr. C Balagopal	Economics Agriculture Rural Economy
4	Mr. A P Hota	Banking Information Technology Payment and Settlement Systems
5	Mr. K Balakrishnan	Investment Banking Finance
6	Mr. Siddhartha Sengupta	Small Scale Industries Risk Management Banking
7	Mr. Manoj Fadnis	Finance Accountancy Management
8	Mr. Sudarshan Sen	Banking Finance Risk Management
9	Mr. Shyam Srinivasan	Banking Retail Lending Wealth Management SME Banking
10	Mr. Ashutosh Khajuria	Banking Treasury Investment
11	Ms. Shalini Warriar	Banking Information Technology

E. Board Procedure

The Board has complete access to all information with the Bank. All Board meetings are governed by a structured agenda which is backed by comprehensive background information. The Board/ Committee agenda and notes thereof are sent in advance to the Directors to enable them to read and comprehend the matters to be dealt with and seek further information / clarification. The Board/ Committee agenda and notes are uploaded on the Bank's e-meeting portal wherein the Directors can review the same in a secure environment and at their convenience. Video conferencing facility is provided to facilitate Directors to participate in the meetings. The members of the Board exercise due diligence in performance of their functions as Directors of the Bank and follow highest degree of business ethics, transparent practices and code of good governance amidst cordial environment.

The Board/Committee has an effective post meeting follow up procedure. Items arising out of previous Board/Committee Meetings and their follow up action report are placed at the immediately succeeding meeting for information of the Board/ Committees.

The Board has established procedures to periodically review compliance report pertaining to all laws applicable to the Bank as well as steps taken by the Bank to rectify instances of non compliance, if any.

The Board of Directors has satisfied itself that plans are in place for orderly succession for appointment to the Board of Directors and Senior Management.

The Minutes of the Board/Committee meetings are circulated to the Chairman and other Members of the Board/Committee for their comments/inputs in accordance with the Secretarial Standards on meetings of the Board of Directors (SS-1) issued by the Institute of Company Secretaries of India (ICSI).

F. Remuneration to Directors

During the year Mr. Shyam Srinivasan, Managing Director & Chief Executive Officer, was paid ₹ 2,26,60,615.11 (gross), Mr. Ashutosh Khajuria, Executive Director and Chief Financial Officer was paid ₹1,20,25,382.71 (gross) (excluding value of stock options exercised during the year) and Ms. Shalini Warriar, Additional Executive Director & Chief Operating Officer was paid ₹ 1,06,24,066.18 (gross) in accordance with the terms and conditions approved by Reserve Bank of India.

The Non-Executive Independent Directors, except Chairman of the Board, are paid only sitting fees for attending every meeting of the Board/ Committees of the Board within the limits as prescribed under the Companies Act, 2013. For Chairman, besides honorarium as permissible under Banking Regulations Act, 1949, and rules/regulations made thereunder, he /she was paid only sitting fees for attending every meeting of the Board / Committees of the Board.

No pecuniary relationship/transaction exists for Independent Directors/Non-Executive Directors vis-à-vis the Bank, other than payment of sitting fees for Board/Committee meetings/ monthly remuneration during the year as per law. The Independent Directors of the Bank also had no pecuniary relationship with the Bank, its subsidiary or associate companies or their promoters or directors during the two immediately preceding financial years.

The Independent directors are not eligible for any stock options.

During the Financial Year 2019-20, the Bank did not advance any loan to any of its Directors.

The criteria of making payments to Independent Directors/ Non-executive Directors of the Bank are contained in the Comprehensive Compensation Policy for Non-Executive Directors and is available on the website at www.federalbank.co.in.

The Non Executive - Independent Directors are paid sitting fees as per the provisions of Companies Act, 2013 and as per the SEBI (Listing Obligations & Disclosures Requirements) Regulations, 2015 as indicated below:

Sl No.	Name of Directors	Sitting fee paid to Non-Executive- Independent Directors for FY 2019-20
1	Ms. Grace Koshie	₹23,50,000
2	Ms. Shubhalakshmi Panse	₹21,00,000
3	Mr. C Balagopal	₹14,75,000
4	Mr. A P Hota	₹18,95,000
5	Mr. K Balakrishnan	₹13,65,000
6	Mr. Siddhartha Sengupta	₹16,30,000
7	Mr. Manoj Fadnis	₹13,90,000
8	Mr. Sudarshan Sen	₹ 2,40,000
9	Mr. Dilip Sadarangani	₹18,00,000
10	Mr. Nilesh S Vikamsey	₹8,30,000

Note:

In addition to above sitting fees;

1. ₹ 7.20 Lakhs & ₹ 7.50 Lakhs has paid to Ms. Grace Koshie towards honorarium and profit related commission respectively.
2. ₹ 7.50 lakhs each were paid to Ms. Shubhalakshmi Panse, Mr. C Balagopal, Mr. A P Hota and Mr. Nilesh S Vikamsey towards profit related commission.
3. ₹ 3.86 Lakhs and ₹ 6.14 lakhs were paid to Mr. K Balakrishnan and Mr. Dilip Sadarangani respectively, towards profit related commission.

The details of remuneration paid to Mr. Shyam Srinivasan, MD & CEO, Mr. Ashutosh Khajuria and Ms. Shalini Warriar, Executive Directors during FY 2019-20 are as under:

Particulars	Mr. Shyam Srinivasan MD & CEO (₹)	Mr. Ashutosh Khajuria ED & CFO (₹)	Ms. Shalini Warriar# ED & COO (₹)
Basic Pay	1,51,33,333	24,18,819	23,47,047
Allowances & Perquisites ¹	35,27,282	74,06,564	66,77,020
Stock Option (Perquisites)**	Nil	35,92,500	Nil
Severance fees	Nil	Nil	Nil
Performance Linked Incentive	40,00,000	22,00,000	16,00,000
Total***	2,26,60,615	1,20,25,383	1,06,24,067

#Ms. Shalini Warriar was appointed as an Additional Executive Director on the Board of the Bank effective from January 15, 2020

** This includes perquisite value of stock options granted and vested in previous years, and exercised during the financial year 2019-20.

*** Does not include the value of stock options exercised during the year 2019-20, if any

Note:

1. In addition to above, contribution to Provident Fund of ₹ 15,13,333.00 was paid to Mr. Shyam Srinivasan, MD & CEO, ₹ 2,41,882.00 was paid to Mr. Ashutosh Khajuria, Executive Director & CFO and ₹ 2,34,708.00 to Ms. Shalini Warriar, Executive Director during the FY 2019-20.
2. 1,00,000 number of options was exercised by Mr. Ashutosh Khajuria under ESOS 2010 during the year under review.
3. The Independent directors are not eligible for any stock options.

G. Independent Director

The Independent Directors have confirmed that they meet the criteria of independence laid down under the Companies Act, 2013 and Regulation 16 (1) (b) of the SEBI (Listing Obligations & Disclosures Requirements) Regulations, 2015 and that they are not aware of any circumstance or situation, which exist or may be reasonably anticipated, that could impair or impact their ability to discharge their duties with an objective Independent judgment and without any external influence.

The Board of Directors have taken on record the declaration and confirmation submitted by the Independent Directors after undertaking due assessment of the veracity of the same.

The Board further confirms that no persons were appointed or continues as an alternate director for independent director/s of the Bank.

The present tenure of Independent Directors of the Bank is subject to Regulation 10 A of the Banking Regulation Act, 1949 and also subject to the tenure fixed for appointment of all the Independent Directors of the Bank by the shareholders/Board.

H. Terms and conditions of appointment of Independent Directors

At the time of appointment of Independent Directors a formal letter is being issued by the Bank to the appointee Director specifying the terms and conditions of his/her appointment. The terms and conditions of appointment of Independent Directors have been disclosed on the website of the Bank, www.federalbank.co.in.

I. Separate Meeting of Independent Directors

A separate meeting of the Independent Directors of the Bank was held on February 25, 2020 for consideration of performance evaluation for FY 2019-20. Apart from Director, Mr. K Balakrishnan all the Independent Directors attended the meeting. In accordance with the SEBI (Listing Obligations & Disclosures Requirements) Regulations, 2015, following matters were, inter alia, reviewed and discussed in the meeting:

- a. Performance of the Board of Directors as a whole.
- b. Performance of the Chairman of the Bank taking into consideration the views of Executive and Non-Executive Directors.
- c. Assessment of quality, quantity and timeliness of flow of information between the Bank's management and the Board that is necessary for the Board to effectively and reasonably perform their duties.

J. Familiarization Programme for Independent Directors

The Bank conducts Familiarization Programme for the Independent Directors to enable them to familiarize with the Bank, its Management and its operations so as to gain a clear understanding of their roles, rights and responsibilities for the purpose of contributing significantly towards the growth of the Bank.

At the time of appointing a Director, a formal letter of appointment is given to the Independent Director, which inter alia explains the role, function, duties and responsibilities of him/her as a Director of the Bank. They are given full opportunity to interact with Senior Management Personnel and are provided with all the documents required and/or sought by them to have a good understanding of the Bank.

The initiatives undertaken by the Bank in this respect has been disclosed on the website of the Bank at www.federalbank.co.in under section "Shareholders Information".

The roles, functions and duties of Independent Directors are disclosed in the Code of Conduct for the Board of Directors and Management and the same is available on the Bank's website www.federalbank.co.in.

K. Directors and Officers Insurance

The Bank had undertaken Directors and Officers insurance ('D and O insurance') for all its Directors, including Independent Directors, for a quantum and risks as determined by the Board of Directors of the Bank

L. Performance Evaluation Criteria for Independent Directors of the Bank

The performance evaluation criteria for Independent Directors include:

- i. Attendance at the Board and Committee meetings
- ii. Study of agenda papers in depth prior to meeting and active participation at the meeting.
- iii. Contribute to discussions on strategy as opposed to focus only on agenda
- iv. Participate constructively and actively in the Committees of the Board in which they are Members.
- v. Exercise his/her skills and diligence with due and reasonable care and brings an independent judgment to the Board
- vi. The Director remains abreast of developments affecting the company and external environment in which it operates independent of his being appraised at meetings.
- vii. Knowledge and Competency:
 - How the person fares across different competencies as identified for effective functioning of the entity and the Board
 - Whether the person has enough understanding and knowledge of the entity and the sector in which it operates.

The outcomes of the evaluation of the Independent Directors of the Bank are detailed in Directors' Report. In the opinion of the Board Independent Director fulfill the condition of independence as specified in the Listing Regulations and as per Companies Act, 2013 and are independent of the management.

Performance evaluation criteria of Non Independent Directors are detailed in the Director's report portion.

Board Committees and its terms of reference

The Board Committees play a crucial role in the governance structure of the Bank and have been constituted to deal with specific areas of concern for the Bank as per delegated powers for different functional areas of the Bank and as mandated under the relevant provisions of the Companies Act, 2013, the relevant Rules made thereunder, SEBI (Listing Obligations & Disclosures Requirements) Regulations, 2015, Banking Regulation Act, 1949, guidelines issued by the RBI, in this regard, from time to time and the Articles of Association of the Bank. Details on the role and composition of Board Committees, including the number of meetings held during the financial year and the related attendance are provided below.

A. Audit Committee

Composition & Meetings

As on March 31, 2020, Audit Committee comprises of members as stated below. The composition of the Committee is in conformity with the regulatory requirements.

During the financial year 2019-20, the Audit Committee met 09 (nine) times on April 16, 2019, May 04, 2019, May 23, 2019, July 16, 2019, August 20, 2019, October 16, 2019, November 07, 2019, January 20, 2020 and February 25, 2020. The time gap between any two meetings was less than one hundred and twenty days.

The detail of attendance of members and composition is as under:

Name of the Member	Category	Status	No. of Meetings	
			Held	Attended
Mr. Manoj Fadnis ¹	Independent Director	Chairman	09	06
Ms. Grace Koshie ²	Independent Director	Member	09	09
Mr. A P Hota	Independent Director	Member	09	08
Mr. C Balagopal ³	Independent Director	Member till 30.12.2019	09	Nil
Ms. Shubhalakshmi Panse ⁴	Independent Director	Member till 30.12.2019	09	07
Mr. Nilesh S Vikamsey ⁵	Independent Director	Member till 24.06.2019	09	03

¹Mr. Manoj Fadnis joined as member of the Committee effective from June 24, 2019. He became Chairman of the Committee w.e.f December, 30, 2019.

²Ms. Grace Koshie was the Chairperson of the Committee till December, 30, 2019.

³Mr. C Balagopal joined as member of the Committee effective from June 24, 2019 and ceased to be member of the Committee w.e.f December 30, 2019.

⁴Ms. Shubhalakshmi Panse ceased to be a member of the Committee w.e.f December, 30, 2019.

⁵Mr. Nilesh Vikamsey ceased to be member of the Committee effective consequent to retirement from the Board of the Bank w.e.f June 24, 2019.

During the financial year 2019-20, the Committee was re-constituted twice on June 24, 2019 and December 30, 2019.

Ms. Grace Koshie, who was the Chairperson of Audit Committee,

attended the AGM held on July 25, 2019 to answer the shareholders' queries.

The terms of reference of the Audit Committee as incorporated in the Bank's Code of Corporate Governance, are in accordance with the Listing Regulations, Companies Act, 2013 and RBI guidelines.

Terms of Reference/ Roles and Responsibilities of the Committee are:

1. Review the company's financial and risk-management policies, and, where necessary, recommend changes for the Board's approval.
2. Review, with the management, performance of statutory and internal auditors, adequacy of the internal control systems.
3. 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.
4. Review the adequacy of the internal audit function, including
 - a. monitoring and reviewing the effectiveness of the Internal audit function;
 - b. 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;
 - c. approving internal audit plan, scope and budget;
 - d. reviewing and discussing internal audit reports;
 - e. ensuring internal audit function maintains open communication with senior management, external auditors, the supervisory authority, and the audit committee;
 - f. assessing the performance of the head of the internal audit function; and
 - g. approving / recommending to the Board for its approval, the appointment, re-appointment or removal of the head of the internal audit function and the key internal auditors;
5. Discussion with internal auditors of any significant findings and follow up there on.
6. Discussion with the Head of Internal Audit in a private session, in the absence of the management, on issues of interest.
7. Review the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.
8. Review and have oversight of 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.
9. Recommend to the full Board for shareholders' approval, the appointment, reappointment, removal, or replacement and terms of appointment of 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.
10. Approve the terms of engagement of the services of the external/statutory auditors for rendering any other professional services to the Bank and the fee therefore.
11. 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.
12. Review and examine with the management, the annual financial statements and auditor's report thereon before submission to the board for approval, with particular reference to:
 - i. any changes in accounting policies and practices and reasons for the same
 - ii. major accounting entries involving estimates based on the exercise of judgment by management
 - iii. significant adjustments made in the financial statements arising out of audit findings;
 - iv. compliance with the applicable accounting standards
 - v. compliance with listing and other legal requirements relating to financial statements, and RBI guidelines and directives, concerning financial policies and statements
 - vi. to review the company's statement on internal control systems prior to endorsement by the Board
 - vii. the going-concern assumption
 - viii. disclosure of any related-party transactions, i.e., transactions of the Bank with the Directors, senior executives, their relatives, or associated concerns, that may potentially conflict with the Bank's interests at large; and
 - ix. modified opinion(s) in the draft audit report
 - x. matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (c) of sub-section 3 of section 134 of the Companies Act, 2013
13. Review, with the management, the quarterly financial statements before submission to the Board for approval.
14. 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.)
 - i. The auditors' report on the annual, half-yearly, and quarterly financial statements
 - ii. 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
- iii. The auditors' long-form audit report and management letter and the management's response, and
 - iv. 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.
15. 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.
 16. 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;
 17. To review and oversight the functioning of the Whistle Blower mechanism.
 18. Approval of appointment of Chief Financial Officer (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.
 19. Approval or any subsequent modification of transactions of the Bank with related parties.
 20. Valuation of undertakings or assets of the Bank, wherever it is necessary.
 21. Evaluation of internal financial controls and risk management systems.
 22. Monitor the end use of funds raised through public offers and related matters.
 23. Reviewing and monitoring the auditor's independence and performance, and effectiveness of audit process.
 24. Scrutiny of inter-corporate loans and investments, if any.
 25. To consider and approve/grant omnibus approval for certain Related Party Transactions.
 26. Perform any other function or duty as stipulated by the Companies Act, Reserve Bank of India, Securities and Exchange Board of India, Stock Exchanges and any other regulatory authority or under any applicable laws as may be prescribed from time to time.
 27. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
 28. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.
29. Reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document / prospectus / notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter.
 30. Review arrangements by which staff of the bank may confidentially raise concerns about possible improprieties in matters of financial reporting.
 31. Review the utilization of loans and/ or advances from/investment by the holding company in the subsidiary exceeding rupees 100 crore or 10% of the asset size of the subsidiary, whichever is lower including existing loans / advances / investments.
 32. Periodic reviews on borrower entities in which directors of any willful defaulter companies are present
 33. The Audit Committee of the Board shall:
 - i. ensure that senior management is taking necessary corrective actions to address the findings and recommendations of internal auditors and external auditors in a timely manner;
 - ii. address control weaknesses, non-compliance with policies, laws and regulations and other problems identified by internal auditors and external auditors, and
 - iii. ensure that deficiencies identified by supervisory authorities related to the internal audit function are remedied within an appropriate time frame and that progress of necessary corrective actions are reported to the board of directors.
 34. Review of Internal Financial Control (IFC) process including Risk Control and Self- Assessment (RCSA)
 35. Review of Position pertaining to opening of Internal/branch GL heads the purpose for which used and its reconciliation on a quarterly basis.
 36. Oversee the Ind AS implementation process at quarterly intervals.
 37. Ensure adequate coverage of internal audit to satisfy effective implementation of policies and procedures.
- Powers of Audit Committee:**
- The Audit Committee shall have the authority –
- a. to call for the comments of the auditors about internal control systems, the scope of audit, including the observations of the auditors and review of financial statement before their submission to the Board.
 - b. to discuss any related issues with the internal and statutory auditors and the management of the company.
 - c. to investigate into any matter in relation to the items referred to

it by the Board.

- d. to investigate any activity within its terms of reference, seek information from any employee, obtain outside legal or other professional advice.
- e. to have full access to information contained in the records of the Bank

Review of information by Audit Committee as per SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015

The Audit Committee shall mandatorily review the following information:

- i. Management discussion and analysis of financial condition and results of operations;
- ii. Statement of significant related party transactions (as defined by the Audit Committee), submitted by management;
- iii. Management letters / letters of internal control weaknesses issued by the statutory auditors;
- iv. Internal audit reports relating to internal control weaknesses; and
- v. The appointment, removal and terms of remuneration of the Chief internal auditor shall be subject to review by the Audit Committee
- vi. Statement of deviations:
 - a. quarterly statement of deviation(s) in the use of proceeds of public / rights / preferential issue from the objects stated in the offer document or explanatory statement to the notice for the general meeting, as applicable; (if any)
 - b. quarterly statement indicating category-wise variation (capital expenditure, sales and marketing, working capital etc.) between projected utilization of funds in the offer document for public / rights / preferential issue or explanatory statement of to the notice for the general meeting, as applicable and the actual utilization of funds;
 - c. quarterly statement of deviation(s) including report of monitoring agency, if applicable, submitted to stock exchange(s) in terms of issue of securities of any nature. (if any)
 - d. annual statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice in terms of issue of securities of any nature. (if any)
- vii) Review the financial statements of unlisted subsidiary, in particular, the investments made by the subsidiary.

Other matters

1. In carrying out its functions as aforesaid, the Committee shall have full access to information contained in the Bank's records and may seek information from any employee of the Bank, or, if considered necessary, obtain outside legal or other professional advice, or discuss with outsiders having the relevant expertise,

and thereafter place the same to the Board.

2. The chairperson of the committee shall be present at Annual general meeting to answer shareholder queries.
3. The Company Secretary shall act as the secretary to the Audit committee.
4. The minutes of the Committee meetings and decisions taken by the Committee shall be promptly submitted to the Board.
5. The Auditors and key managerial personnel shall have a right to be heard in the meetings of the Audit Committee when it considers the auditor's report but shall not have the right to vote

B. Nomination, Remuneration, Ethics and Compensation Committee

Composition and Meetings

As on March 31, 2020 the Nomination, Remuneration, Ethics and Compensation Committee comprises of members as stated below. The composition of the Committee is in conformity with the regulatory requirements, with all Directors being Non-Executives and fifty per cent of them being Independent Directors. Chairman of the Committee is an Independent Director. The Committee also includes one member from Risk Management Committee of the Board.

During the financial year 2019-20, the Nomination, Remuneration, Ethics and Compensation Committee met 10 (Ten) times on May 08, 2019, May 23, 2019, June 03, 2019, July 24, 2019, September 19, 2019, November 07, 2019, November 27, 2019, December 21, 2019, December 30, 2019 and March 12, 2020.

The details of the attendance of the members are as under:

Name of the Member	Category	Status	No. of Meetings	
			Held	Attended
Mr. C Balagopal ¹	Independent Director	Chairman	10	05
Ms. Grace Koshie ²	Independent Director	Member	10	10
Ms. Shubhalakshmi Panse ³	Independent Director	Member	10	05
Mr. Nilesh S Vikamsey ⁴	Independent Director	Member till 24.06.2019	10	03
Mr. Dilip Sadarangani ⁵	Independent Director	Member till 08.09.2019	10	04

¹Mr. C Balagopal joined as a member of the Committee effective from September 16, 2019. He became Chairman of the Committee w.e.f December 30, 2019.

²Ms. Grace Koshie was appointed as the Chairperson of the Committee w.e.f June 24, 2019 till September 15, 2019.

³Ms. Shubhalakshmi Panse joined as a member of the Committee effective from June 24, 2019. She chaired the Committee from September 16, 2019 till December 29, 2019.

⁴Mr. Nilesh Vikamsey ceased to be a member of the Committee consequent to retirement from the Board of the Bank w.e.f June 24, 2019.

⁵Mr. Dilip Sadarangani ceased to be a member of the Committee consequent to retirement from the Board of the Bank w.e.f September 08, 2019.

During the financial year 2019-20, the Committee was re-constituted four (4) times on May 04, 2019, June 24, 2019, September 16, 2019 and December 30, 2019.

Terms of Reference/ Roles and Responsibilities of the Committee are:

1. Recommending to the Board for its consideration and approval 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;
2. Reviewing, 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 the MD&CEO or other Directors, shareholders or others;
3. Recommending to the Board, candidates for election (including re-election) or appointment (including reappointment) to the Board.
4. Carrying out evaluation of every director's performance.
5. Deciding on the matter of whether to extend or continue the term of appointment of the independent director, based on the report of performance evaluation of independent directors.
6. Identifying persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, recommend to the Board their appointment and removal; formulation of the criteria for determining qualifications, positive attributes and independence of a director;
7. Devising a policy on diversity of board of directors;
8. Recommending to the Board a policy, relating to the remuneration for the directors, key managerial personnel and other employees;
9. Formulating and determining the Bank's policies on remuneration packages payable to the Directors and key managerial personnel including performance/achievement bonus, perquisites, retiral, sitting fees.
10. Considering grant of Stock Options to employees.
11. Reviewing the composition of the existing Committees of the Board.
12. Formulation of criteria for performance evaluation of Independent Directors and the Board;
13. Validation of 'fit and proper' status of all Directors on the Board of the Bank in terms of the Guidelines issued by the RBI or other regulatory authorities;
14. Developing and recommending to the Board the Corporate Governance guidelines applicable to the Bank for incorporating best practices from time to time;
15. Recommend to the board, all remuneration, in whatever form, payable to senior management*

*senior management shall mean officers/personnel of the listed entity who are members of its core management team excluding board of directors and normally this shall comprise all members of management one level below the chief executive officer/managing director/whole time director/manager (including chief executive officer/manager, in case they are not part of the board) and shall specifically include company secretary and chief financial officer

16. Supervisory and annual review of the Compensation Policy

The Bank is having a compensation policy formulated in accordance with the RBI guidelines and Companies Act, 2013 which has been approved by the Board.

C. Investor Grievance, Share Transfer, and Stakeholder Relationship Committee

Composition and Meetings

As on March 31, 2020, the Investor Grievance, Share Transfer, and Stakeholder Relationship Committee consists of members as stated below. The composition of the Committee is in conformity with the regulatory requirements.

During the financial year 2019-20, the Committee met seven (7) times on April 08, 2019, May 18, 2019, June 19, 2019, July 23, 2019, August 09, 2019, October 05, 2019 and October 31, 2019.

The details of attendance of members are given below:

Name of the Member	Category	Status	No. of Meetings	
			Held	Attended
Mr. A P Hota ¹	Independent Director	Chairman	07	Nil
Mr. C Balagopal	Independent Director	Member	07	07
Mr. Shyam Srinivasan	Executive Director	Member	07	06
Mr. Ashutosh Khajuria	Executive Director	Member	07	07
Mr. Dilip Sadarangani ²	Independent Director	Member till 08.09.2019	07	05

¹Mr. A P Hota joined as member and became Chairman of the Committee effective from December 30, 2019. No meeting of the Committee was held after Mr. A P Hota becoming member of the Committee.

²Mr. Dilip Sadarangani ceased to be a member of the Committee consequent to retirement from the Board of the Bank w.e.f from September 08, 2019.

During the financial year 2019-20, the Committee was re-constituted twice on September 16, 2019 and December 30, 2019.

Mr. Samir P Rajdev, Company Secretary, functions as the Compliance Officer.

Terms of Reference/ Roles and Responsibilities of the Committee are:

The Committee ensures cordial investor relations, oversees the mechanism for redressal of investors' grievances and specifically looks into various aspects of interest of shareholders. The Committee

looks into the following functions.

1. Review, where necessary, complaints received from shareholders or others regarding transfer/transmission 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;
2. Initiate such (further) action on the complaints as is considered necessary or desirable by way of redressal or to prevent similar complaints arising in the future; and
3. Approve or reject applications for transfer/transmission of shares referred to the Committee by the Bank's Registrar and Share Transfer Agent in terms of such criteria as may be determined by the Committee and conveyed to the Agent.
4. To oversee and review all matters connected with transfers, transmissions, dematerialization, rematerialisation, splitting and consolidation of securities issued by the Bank, issue of duplicate share certificates;
5. Review of adherence to the service standards adopted by the Bank in respect of various services being rendered by the Registrar & Share Transfer Agent.
6. Recommend measures for overall improvement in the quality of investor services;
7. Review of measures taken for effective exercise of voting rights by shareholders.
8. Review of the various measures and initiatives taken by the Bank for reducing the quantum of unclaimed dividends and ensuring timely receipt of dividend warrants/annual reports/statutory notices by the shareholders of the company.
9. Approve the allotment for release of shares kept under abeyance of the Bank in compliance with court order.

The Bank attended to the complaints promptly and to the satisfaction of the shareholders. Details of complaints received and resolved by the Bank during the financial year 2019-20 are given below:

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
Nil	8	8	Nil

As on March 31, 2020, apart from the complaints, around 981 requests/information were received from the shareholders relating to change of address, nomination requests, email id and contact details updation, IFSC / MICR code updation, National Automated Clearing House (NACH) Mandates, queries relating to the annual reports, request for re-validation of dividend warrants and other investor related matters. This requests/information has also been responded.

D. Credit, Investment and Raising Capital Committee

Composition and Meetings

As on March 31, 2020, the Credit, Investment and Raising Capital Committee consists of members as stated below.

During the financial year 2019-20 the Committee met five (5) times on June 12, 2019, June 19, 2019, June 20, 2019, August 09, 2019 and October 11, 2019. The details of attendance of members are given below:

Name of the Member	Category	Status	No. of Meetings	
			Held	Attended
Mr. K Balakrishnan	Independent Director	Chairman	05	05
Mr. Siddhartha Sengupta ¹	Independent Director	Member	05	02
Mr. Shyam Srinivasan	Executive Director	Member	05	04
Mr. Dilip Sadarangani ²	Independent Director	Member till 08.09.2019	05	04
Mr. Nilesh S Vikamsey ³	Independent Director	Member till 24.06.2019	05	03

¹Mr. Siddhartha Sengupta joined as a member of the Committee effective from June 24, 2019.

²Mr. Dilip Sadarangani ceased to be a member of the Committee consequent to retirement from the Board of the Bank w.e.f September 08, 2019.

³Mr. Nilesh S Vikamsey ceased to be a member of the Committee consequent to retirement from the Board of the Bank w.e.f June 24, 2019.

Terms of Reference/ Roles and Responsibilities of the Committee are:

1. Consider proposals for approval, renewal, or modification of various types of funded and non-funded credit facilities to clients & proposals for Investments of the Bank within such authority as delegated to it by the Board from time to time.
2. Monitor the credit and investment exposures of the Bank, review the adequacy of the credit and investment risk management processes and policies, internal control systems and compliance of statutory, regulatory and other applicable norms.
3. Periodically review the large corporate loans and advances appearing in SMA lists and standard restructured advances.
4. Take note of the details of credit facilities sanctioned by MD level committee and call for more particulars/comments/clarifications, if found necessary.
5. Take note of the details of compromise settlements approved by the ED and MD level committees and call for more particulars/comments/clarifications, if necessary.
6. Periodically review Non-Performing Assets of large value (₹5 crore and above).
7. Committee has the power to approve compromise proposals as per delegation in the NPA management policy.

- Committee shall recommend the compromise proposals beyond their power to the Board of Directors for approval

During the year 2019-20, the Committee was re-constituted twice on May 04, 2019 and June 24, 2019.

During the year 2019-20, the Board of the Bank vide its circular resolution dated November 27, 2019 had split the Credit, Investment and Raising Capital Committee into two, namely Credit Committee and Investment & Raising Capital Committee effective from November 28, 2019 and December 07, 2019 respectively.

E. Credit Committee

Composition and Meetings

As on March 31, 2020, the Credit Committee consists of members as stated below. The composition of the Committee is in conformity with the regulatory requirements.

During the financial year 2019-20, after split w.e.f November 28, 2019 the Committee met four (4) times on November 28, 2019, December 16, 2019, February 24, 2020 and March 23, 2020.

The details of attendance of members are given below:

Name of the Member	Category	Status	No. of Meetings	
			Held	Attended
Mr. K Balakrishnan	Independent Director	Chairman	4	4
Mr. Siddhartha Sengupta	Independent Director	Member	4	4
Mr. Shyam Srinivasan	Executive Director	Member	4	3
Mr. Ashutosh Khajuria ¹	Executive Director	Member	4	2

¹Mr. Ashutosh Khajuria joined as a member of the Committee effective from December 30, 2019.

Terms of Reference of Credit Committee

- Consider proposals for approval, renewal, or modification of various types of funded and non-funded credit facilities to clients.
- Monitor the credit exposures of the Bank, review the adequacy of the credit risk and compliance of statutory and regulatory norms.
- Periodically review the large corporate advances appearing in SMA lists and standard restructured advances.
- Take note of the details of credit facilities sanctioned by MD level committee and call for more particulars/comments/clarifications, if found necessary.
- Take note of the details of compromise settlements approved by the ED and MD level committees and call for more particulars/comments/clarifications, if necessary.
- Periodically review Non Performing Assets of large value (₹5 Crore and above).

- Committee has the power to approve compromise proposals as per delegation in the NPA management policy.

- Committee shall recommend the compromise proposals beyond their power to the Board of Directors for approval.

- Status report of the position of assets sold to ARCs under Security Receipt Basis held as investment.

- Any other matter of materialist information that management deems fit for reporting to the committee for noting, review, ratification or approval.

During the year 2019-20, the Committee was re-constituted once on December 30, 2019.

F. Investment and Raising Capital Committee

Composition and Meetings

As on March 31, 2020, the Investment and Raising Capital Committee consists of members as stated below. The composition of the Committee is in conformity with the regulatory requirements.

During the financial year 2019-20, the Committee met two (2) times on December 16, 2019 and February 24, 2020 after reconstitution w.e.f December 07, 2019.

Name of the Member	Category	Status	No. of Meetings	
			Held	Attended
Mr. Siddhartha Sengupta	Independent Director	Chairman	2	2
Mr. C Balagopal	Independent Director	Member	2	2
Mr. Ashutosh Khajuria	Executive Director	Member	2	2

Terms of Reference for the Investment and Raising Capital Committee

- Consider proposals for approval of Investments of the Bank within such authority as delegated to it by the Board from time to time.
- Approve the Policies related to the Treasury Investment and Trading activities and recommend the same to the Board.
- Approve the new products launched by the Treasury Department and recommend the same to the Board.
- Review of the investment activities, risk management thereof, and policies, internal control systems and compliance of statutory, regulatory and other applicable norms.
- Approve the capital raising program of the Bank and recommend the same to the Board.
- Periodic review of Bank's investments in Subsidiaries, JVs & Associates in addition to other unlisted investments including VCF/ PE and strategic investments.

7. Any divestment of shares in Subsidiaries/ JVs and Associates should be put up to this Committee for vetting before submitting to Board for approval.

During the year 2019-20, the Committee was re-constituted once on December 30, 2019.

G. Risk Management Committee

Composition and Meetings

As on March 31, 2020, the Risk Management Committee consists of members as stated below. The composition of the Committee is in conformity with the regulatory requirements.

During the financial year 2019-20, the Committee met 4 (four) times on May 23, 2019, August 20, 2019, November 07, 2019 and February 20, 2020.

Name of the Member	Category	Status	No. of Meetings	
			Held	Attended
Ms. Shubhalakshmi Panse	Independent Director	Chairman	04	04
Ms. Grace Koshie	Independent Director	Member	04	04
Mr. Siddhartha Sengupta ¹	Independent Director	Member	04	03
Mr. Shyam Srinivasan	Executive Director	Member	04	04
Mr. Ashutosh Khajuria	Executive Director	Member	04	03
Mr. C Balagopal ²	Independent Director	Member till 24.06.2019	04	01

¹Mr. Siddhartha Sengupta joined as a member of the Committee effective from June 24, 2019.

² Mr. C Balagopal ceased to be a member of the Committee effective from June 24, 2019.

During the financial year 2019-20, the Committee was re-constituted once on June 24, 2019.

Terms of Reference/ Roles and Responsibilities of the Committee are:

The Risk Management Committee of the Board shall put in place specific policies and procedures for enterprise wide risk management of the Bank based on the regulatory guidance and best practices.

Risk Management Committee shall approve/ recommend to the Board to approve the policy, strategy and methods for risk management, by evaluating the overall risks faced by the Bank and determining the acceptable level of risks, its management and control in the best interest of the Bank. The Committee shall oversee all risk management functions in the Bank and undertake the following functions.

- Recommend to the Board to approve the policies and strategies for implementing bank-wide integrated risk management system, for addressing various risks faced by the Bank.
- Oversee functions of Credit Risk Management Committee

(CRMC), Market Risk Management Committee (MRMC also known as Asset Liability Management Committee - ALCO), Operational Risk Management Committee (ORMC) and Information Security Committee (ISC).

- Set policies and guidelines for measurement, management and reporting of credit risk, market risk and operational risk.
- Set risk mitigation and stop-loss parameters in respect of all the three risks.
- Ensure management processes (including people, systems, operations, limits and controls) for implementing risk management systems.
- Ensure robustness and effectiveness of financial / rating models and their appraisal systems for assessing various risks faced by the Bank.
- Review of the Internal Capital Adequacy Assessment Process. (ICAAP).
- Review of credit rating process, fixation of exposure ceilings for various types of exposures, geographies, sectors, industries etc and based on internal / external rating, borrower category/ groups etc.
- Ensure availability of qualified and competent officers and risk managers in the Integrated Risk Management Department for ensuring effectiveness of risk management systems in the Bank.
- Decide/approve adoption of technology/appropriate and adequate MIS system needed for risk management.
- Reinforce the culture and awareness of risk management throughout the organization that would attach high priority on effective risk management and adherence to sound internal controls.
- Review of functions related to management of Business continuity, Reputation risk, Model risk, Strategic risk, Information & cyber security risk, outsourcing risk and Pension obligation risk.
- Review of procedure for product approval.
- Review of Stress Testing methodology and Stress Scenarios. Decide additional provision requirements on exposure to stressed sectors.
- Review of Liquidity risk management including Contingency Funding Plans and contingency funding under stress scenario.
- Risk Management Committee of the Board to meet with the Chief Risk Officer of the Bank independently on one to one basis without the presence of MD & CEO on a quarterly basis".

Powers of the Risk Management Committee (RMC)

RMC shall exercise the following powers, subject to approval by the Board.

- Review of the policy and strategy for integrated risk management covering credit, market and operational risks.

- b) Review of the risk limits and exposure ceilings of the Bank, and its periodic review as and when needed.
- c) Review standards / delegation for credit dispensation.
- d) Review of the risk categories under Credit Risk Assessment (CRA) system and classification as acceptable and unacceptable category and periodic changes needed to such classification.
- e) Review of systems and tools for management of all the three categories of risks.
- f) Reviewing norms for Loan Review Mechanism (LRM), level of dependence on the system and all related procedures
- g) Analysing credit rating migration studies of large value exposures to assess quality and concentration of credit exposures.
- h) Reviewing norms/ceilings for maturity profile and mix of the incremental assets and liabilities.
- i) Fixing of tolerance levels for Liquidity risk monitoring, interest rate sensitivity/EaR, trigger points for realignment of assets/liabilities.
- j) Review the functions of the CRMC, ALCO, ORMC and ISC from time to time.
- k) Reviewing policy for interest rates view/funding/ pricing of products etc of the Bank.
- l) Ensuring capital adequacy management with due regard to various risks impacting the balance sheet.
- m) Recommending to the Board to approve reviews on assessment, monitoring and controlling of non-quantifiable risks like strategic risk, reputation risk etc.

H. Customer Service, Marketing Strategy & Digital Banking Committee

As on March 31, 2020, the Customer Service, Marketing Strategy & Digital Banking Committee consists of members as stated below. The composition of the Committee is in conformity with the regulatory requirements.

During the financial year 2019-20, the Committee met 3 (three) times on June 10, 2019, November 19, 2019 and March, 12, 2020.

Name of the Member	Category	Status	No. of Meetings	
			Held	Attended
Mr. C Balagopal	Independent Director	Chairman	03	03
Mr. A P Hota	Independent Director	Member	03	03
Mr. Siddhartha Sengupta ¹	Independent Director	Member	03	02
Mr. Shyam Srinivasan	Executive Director	Member	03	03

¹Mr. Siddhartha Sengupta joined as a member of the Committee effective from June 24, 2019

During the financial year 2019-20, the Committee was re-constituted once on June 24, 2019.

Terms of Reference/ Roles and Responsibilities of the Committee are:

In respect of Customer Service, the key roles & responsibilities of the Committee are provided below:

1. Approving the various policies that relate to customer service ; examples thereof include and are not limited to :
 - a. Comprehensive Deposit Policy
 - b. Treatment of death of a depositor for operations in the account
 - c. Grievance Handling process
 - d. Collection of cheques
2. Reviewing metrics and indicators that provide information on the state of customer service in the Bank; providing direction to the management of the Bank on actions to be taken to improve the metrics.
3. Reviewing the actions taken/ being taken by the Bank to standardize the delivery of customer experience across all branches.
4. Reviewing results of the surveys conducted that provide quantitative and qualitative information on the state of customer experience.
5. Providing inputs on the products introduced by the Bank with a view to ensure suitability and appropriateness.
6. Monitoring the implementation of the Banking Ombudsman Scheme with particular reference to:
 - a. Reviewing all the awards against the Bank with a focus on identifying issues of systemic deficiencies and the Bank's plan to address these deficiencies
 - b. Reviewing all awards that remain unimplemented after 3 months from the date of the award with the reasons thereof; to report to the Board such delays in implementation without valid reasons and for initiating remedial action
7. Review, on an overall basis, the customer service aspects in the Bank on the basis of the detailed memorandum submitted in this regard and report to the Board of Directors thereafter; this is done once every six months and based on the review, the Committee will direct the Bank to initiate prompt corrective action wherever service quality / skills gaps have been noticed.
8. Monitoring the activities of the Standing Committee on Customer Service (executive level committee) on a quarterly basis.
9. Review of minutes of product and process approval committee.
10. Biennial audit of depositor services.
11. Review of relevant instructions issued by other regulators.
12. Review of cases reported under Limited Liability in unauthorized electronic banking transactions policy.

In respect of the Marketing functions of the Bank, the key roles & responsibilities of the Committee are provided below:

1. Reviewing the Bank's marketing strategy; providing direction on areas of focus.
2. Providing direction on the communication strategy and media focus.
3. Reviewing the Bank's progress in implementing the marketing strategy.

In respect of Digital Banking, the key roles & responsibilities of the Committee are provided below:

1. Reviewing the Bank's Digital Banking strategy; providing direction on areas of focus.
2. Reviewing the progress made on the metrics relating to Digital Banking; these metrics cover performance metrics as determined by the Board of Directors (as part of the annual budget) and also cover metrics that are determined by the Government of India from time to time and to review the customer service rendered on digital platform from time to time.
3. Progress on various new initiatives and partnerships.

I. Special Committee of the Board for Monitoring and Follow up of Cases of Frauds

Composition and Meetings

As on March 31, 2020, the Special Committee of the board for monitoring and follow up of cases of frauds consists of members as stated below. The composition of the Committee is in conformity with the regulatory requirements.

As required under the RBI regulations, all fraud cases of ₹ 1 Crore and above are considered by the Committee and as directed by the Audit Committee, all fraud cases of ₹1 Lakh and above are reported to this Committee.

During the financial year 2019-20, the Committee met 4 (four) times on June 12, 2019, August 20, 2019, December 30, 2019 and March 12, 2020.

Name of the Member	Category	Status	No. of Meetings	
			Held	Attended
Mr. Shyam Srinivasan	Executive Director	Chairman	04	04
Ms. Grace Koshie	Independent Director	Member	04	04
Ms. Shubhalakshmi Panse	Independent Director	Member	04	03
Mr. Manoj Fadnis ¹	Independent Director	Member	04	03
Mr. Ashutosh Khajuria	Executive Director	Member	04	03
Mr. Nilesh S Vikamsey ²	Independent Director	Member till 24.06.2019	04	01

¹Mr. Manoj Fadnis joined as a member of the Committee effective from June 24, 2019.

²Mr. Nilesh S Vikamsey ceased to be a member of the Committee consequent to retirement from the Board of the Bank w.e.f June 24, 2019.

During the financial year 2019-20, the Committee was re-constituted once on June 24, 2019.

Terms of Reference/ Roles and Responsibilities of the Committee are:

The major functions of the Committee would be to monitor and review all frauds of ₹ 100 Lakh and above so as to:

- i. Identify the systemic lacunae if any that facilitated perpetration of the fraud and put in place measures to plug the same.
- ii. Identify the reasons for delay in detection, if any, reporting to top management of the bank and RBI.
- iii. Monitor progress of CBI/Police investigation and recovery position.
- iv. 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.
- v. Review the efficacy of the remedial action taken to prevent recurrence of frauds, such as strengthening of internal controls.
- vi. Put in place other measures as may be considered relevant to strengthen preventive measures against frauds.

All the frauds involving an amount of ₹ 100 lakh and above should be monitored and reviewed by SCBF. The periodicity of the meetings of the Committee may be decided according to the number of cases involved. In addition, the Committee should meet and review as and when a fraud involving an amount of ₹100 lakh and above comes to light. Information of frauds of ₹100L and above shall be sent to the members of SCBF through e-mail immediately on detection followed by placing report before the Committee in its next meeting.

In addition to the monitoring and review of frauds of ₹100 Lakh and above;

1. The Committee shall monitor and review the progress of the mitigating steps taken by the Bank in case of Cyber and Electronic Banking frauds and the efficacy of the same in containing the number of frauds and values at least on a quarterly basis.
2. The Committee shall review the Red Flagged Accounts (RFA) and the remedial actions proposed by the Fraud Monitoring Group (FMG), when an account is classified as RFA.

J. Committee for Human Resources Policy

Composition and Meetings

As on March 31, 2020, the Committee for Human Resources Policy consists of members as stated below. The composition of the Committee is in conformity with the regulatory requirements.

During the financial year 2019-20, the Committee met 2 (two) times June 14, 2019 and December 30, 2019.

Name of the Member	Category	Status	No. of Meetings	
			Held	Attended
Mr. Siddhartha Sengupta ¹	Independent Director	Chairman	02	01
Mr. K Balakrishnan ²	Independent Director	Member	02	Nil
Mr. Manoj Fadnis ³	Independent Director	Member	02	Nil
Mr C Balagopal ⁴	Independent Director	Member till 30.12.2019	02	01
Mr. Shyam Srinivasan	Executive Director	Member	02	02
Ms. Shubhalakshmi Panse ⁵	Independent Director	Member till 30.12.2019	02	02
Mr. Nilesh S Vikamsey ⁶	Independent Director	Member till 24.06.2019	02	01

¹Mr. Siddhartha Sengupta joined as a member of the Committee effective from June 24, 2019.

²Mr. K Balakrishnan joined as a member of the Committee effective from December 30, 2019 and no meeting of the Committee held after December 30, 2019

³Mr. Manoj Fadnis joined as a member of the Committee effective from December 30, 2019 and no meeting of the Committee held after December 30, 2019

⁴Mr C Balagopal was member and Chairman of the Committee till December 29, 2019.

⁵Ms. Shubhalakshmi Panse ceased to be a member of the Committee effective from December 30, 2019.

⁶Mr. Nilesh S Vikamsey ceased to be a member of the Committee consequent to retirement from the Board of the Bank w.e.f June 24, 2019

During the financial year 2019-20, the Committee was re-constituted twice on June 24, 2019 and December 30, 2019.

Terms of Reference/ Roles and Responsibilities of the Committee are:

1. To Review HR Strategy aligning with business strategy of the Bank.
2. Periodic review of existing HR policy of the Bank.
3. To review productivity levels of employees benchmarking with peers in the industry.
4. To review compensation policy of the Bank.
5. To review outsourcing Policy of the Bank.
6. To review Learning Initiatives.
7. To review Talent pool creation/ Succession Planning Policy.
8. To review Skill gaps and Talent pool creation/ Succession Planning.
9. To review Funding Superannuation Policy.
10. To review periodic HR Plans and Activities.

K. Information Technology & Operations Committee

The Information Technology and Operations Committee of the Board shall advice on the strategic direction of the Technology and Operations functions within the Bank.

As on March 31, 2020, the Information Technology & Operations Committee consists of members as stated below. The composition of the Committee is in conformity with the regulatory requirements.

During the financial year 2019-20, the Committee met 4 (four) times on May 23, 2019, August 20, 2019, November 19, 2019 and March 12, 2020.

Name of the Member	Category	Status	No. of Meetings	
			Held	Attended
Mr. A P Hota ¹	Independent Director	Chairman	04	04
Ms. Shubhalakshmi Panse ²	Independent Director	Member	04	03
Mr. Manoj Fadnis ³	Independent Director	Member	04	01
Mr. Shyam Srinivasan	Executive Director	Member	04	04
Mr. Dilip Sadarangani ⁴	Independent Director	Member till 08.09.2019	04	02

¹Mr. A P Hota became Chairman of the Committee w.e.f December 30, 2019.

²Ms. Shubhalakshmi Panse chaired the Committee from May 04, 2019 till December 29, 2019.

³Mr. Manoj Fadnis joined as a member of the Committee effective from December 30, 2019.

⁴Mr. Dilip Sadarangani ceased to be a member of the Committee consequent to retirement from the Board of the Bank w.e.f September 08, 2019.

During the financial year 2019-20, the Committee was re-constituted twice on May 04, 2019 and December 30, 2019.

In respect of the Technology functions of the Bank, the key roles & responsibilities of the Committee are provided below:

Terms of Reference/ Roles and Responsibilities of the Committee are

1. Approving IT strategy and policy documents and reviewing the same from time to time.
2. Ensuring that the management has put an effective strategic planning process in place.
3. Ensuring that the IT strategy is indeed aligned with business strategy.
4. Ensuring that the IT organizational structure complements the business model and its direction.
5. Ascertaining that management has implemented processes and practices that ensure that the IT delivers value to the business.
6. Ensuring IT investments represent a balance of risks and benefits and that budgets are acceptable.
7. 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.
8. Ensuring proper balance of IT investments for sustaining bank's growth.
9. Becoming aware about exposure towards IT risks and controls. And evaluating effectiveness of management's monitoring of IT

risks through oversight over the proceedings of the Information Security Committee.

10. Assessing Senior Management's performance in implementing IT strategies.
11. Issuing high-level policy guidance (e.g. related to risk, funding, or sourcing tasks).
12. Confirming whether IT or business architecture is to be designed, so as to derive the maximum business value from IT.
13. 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.
14. Reviewing IT performance measurement and contribution of IT to businesses.

In respect of the Operations functions of the Bank, the key roles & responsibilities of the Committee are provided below:

1. Ensuring that the management has put an effective strategic planning process in place for operational activities that balances risk, customer experience and costs reviewing the same from time to time.
2. Ensuring that the Operations organizational structure complements the business model and its direction.
3. Ensuring that management has put in place effective steps to mitigate operational risks relating to the core operational processes of the Bank.
4. Issuing high-level policy guidance (e.g. related to risk, funding, or sourcing tasks)
5. Reviewing metrics and measurement relating to operational processes so as to ensure due contribution to the business

L. Corporate Social Responsibility Committee

As on March 31, 2020, the Corporate Social Responsibility Committee (CSR Committee) consists of members as stated below. The composition of the Committee is in conformity with the regulatory requirements.

During the financial year 2019-20, the CSR Committee met 3 (three) times on June 12, 2019, August 06, 2019 and February 06, 2020.

Name of the Member	Category	Status	No. of Meetings	
			Held	Attended
Mr. K Balakrishnan	Independent Director	Chairman	03	03
Mr. A P Hota	Independent Director	Member	03	03
Mr. Shyam Srinivasan	Executive Director	Member	03	02
Mr. Ashutosh Khajuria	Executive Director	Member	03	03
Mr. Manoj Fadnis	Independent Director	Member till 30.12.2019	03	Nil

*Mr. K Balakrishnan became Chairman of the Committee w.e.f May 04, 2019.

**Mr. Manoj Fadnis joined as a member of the Committee effective from June 24, 2019 and ceased to be a member of the Committee effective from December 30, 2019.

During the year, the Committee was reconstituted thrice on May 04, 2019, June 24, 2019 and December 30, 2019.

Terms of Reference/ Roles and Responsibilities of the Committee are:

The CSR Committee shall:

1. Formulate and recommend to the Board for approval, the Corporate Social Responsibility Policy which shall indicate the activity or activities to be undertaken by the Bank in areas or subjects as specified in schedule VII of the Companies Act, 2013.
2. Guide and monitor the activities of the Bank in the area of CSR such that the spends are in line with the activities stipulated in the CSR Policy.
3. Provide inputs, on an ongoing basis, to the formulation of strategic objectives and tactical plans that would help ensure the Bank is able to fulfill its corporate social responsibilities in a responsible and effective manner.
4. Recommend the amount of expenditure to be incurred on the activities undertaken by the Bank.

The Bank has formulated a CSR Policy in line with Schedule VII of the Companies Act, 2013. The CSR policy of the Bank is available on the website of the Bank, www.federalbank.co.in under section "who we are".

M. Review Committee of the Board on Non Co-Operative Borrowers

As on March 31, 2020, the Review Committee of the Board on Non Co- Operative Borrowers consists of members as stated below. The composition of the Committee is in conformity with the regulatory requirements.

During the financial year 2019-20, the Review Committee of the Board on Non Co- Operative Borrowers met 1 (One) time on June 12, 2019.

The Review Committee of the Board on Non Cooperative Borrowers finalizes the decision with regard to classification & declassification of Non Cooperative Borrowers for reporting of such borrowers to the Central Repository of Information on Large Credits (CRILC) by the Bank.

Name of the Member	Category	Status	No. of Meetings	
			Held	Attended
Mr. Shyam Srinivasan	Executive Director	Chairman	01	01
Mr. K Balakrishnan	Independent Director	Member	01	01
Mr. Manoj Fadnis ¹	Independent Director	Member	01	Nil
Mr. Siddhartha Sengupta ²	Independent Director	Member till 30.12.2019	01	Nil
Mr. Dilip Sadarangani ³	Independent Director	Member till 08.09.2019	01	01

¹Mr. Manoj Fadnis was inducted as member of the Committee effective from December 30, 2019.

²Mr. Siddhartha Sengupta joined as a member of the Committee effective from June 24, 2019 and ceased to be member of the Committee effective from December 30, 2019.

³Mr. Dilip Sadarangani ceased to be member of the Committee consequent to retirement from the Board of the Bank w.e.f September 08, 2019.

During the financial year 2019-20, the Committee was reconstituted thrice (3) on May 04, 2019, June 24, 2019, and December 30, 2019.

Terms of Reference/ Roles and Responsibilities of the Committee are

In compliance with RBI directions on Non Cooperative Borrowers (NCB) the Bank has put in place a policy on identification, classification & declassification of Non Cooperative Borrowers and reporting of such borrowers to the Central Repository of Information on Large Credits (CRILC). The policy envisages formation of a Committee headed by an Executive Director & consisting of two other Senior Executives of the rank of SVP/VP to take a decision on classification & declassification of Non Cooperative Borrowers. Accordingly an ED level committee headed by ED & CFO is formed. The decisions of the ED level committee has to be placed to this Review Committee of the Board for confirmation.

N. Review Committee of the Board for Wilful Defaulters

As on March 31, 2020, the Review Committee of the Board for Wilful Defaulters consists of members as stated below. The composition of the Committee is in conformity with the regulatory requirements.

During the financial year 2019-20, the Review Committee of the Board for Wilful Defaulters met 1 (One) time on March 23, 2020.

Name of the Member	Category	Status	No. of Meetings	
			Held	Attended
Mr. Shyam Srinivasan	Executive Director	Chairman	01	Nil
Mr. K Balakrishnan	Independent Director	Member	01	01
Ms. Grace Koshie	Independent Director	Member	01	01
Mr. Manoj Fadnis ¹	Independent Director	Member till 30.12.2019	01	Nil

¹Mr. Manoj Fadnis joined as a member of the Committee effective from June 24, 2019 and ceased to be member of the Committee effective from December 30, 2019.

During the financial year 2019-20, the Committee was re-constituted thrice (3) on May 04, 2019, June 24, 2019 and December 30, 2019.

Terms of Reference/ Roles and Responsibilities of the Committee are

This Review Committee reviews the order of the Internal Committee that identifies accounts to be reported as wilful default to comply with the regulatory guidelines. The Order shall become final only after it is confirmed by the Review Committee. While reviewing the

Identification Committee's order, the Review Committee shall also consider the representations if any made by the borrowers against such order. The Review Committee shall pass a reasoned order and the copy thereof shall also serve on the borrowers.

Subsidiary and Joint Venture Company of the Bank

The Bank has two subsidiary companies, Fedbank Financial Services Limited and Federal Operations and Services Limited. The Bank has no material subsidiaries as per the conditions laid down in the Listing Regulations; hence no Policy on Material Subsidiary has been framed.

As on March 31, 2020, the Bank has two Associate Companies, a Joint Venture Life Insurance Company, named IDBI Federal Life Insurance Company Limited and an Investment Banking subsidiary named Equirus Capital Private Limited.

The Directors of the Bank who are also in the subsidiary/associate companies are as follows:

- Mr. Shyam Srinivasan, Managing Director and Chief Executive Officer (MD & CEO) and Mr. K Balakrishnan, Independent Director of the Bank are Non-Executive Directors in Fedbank Financial Services Limited. Mr K. Balakrishnan holds the position of Chairman in Fedbank Financial Services Limited.
- Mr. C Balagopal, Independent Director and Ms. Shalini Warriar, Executive Director & Chief Operating Officer of the Bank are Non-Executive Directors in Federal Operations and Services Ltd (FedServ). Mr. C Balagopal holds the position of Chairman in FedServ.
- Mr. Shyam Srinivasan, MD & CEO and Mr. Ashutosh Khajuria, Executive Director & Chief Financial Officer of the Bank are Non-Executive Directors in IDBI Federal Life Insurance Company Limited.

Mr. Harsh Dugar, Country Head - Wholesale Banking of the Bank is a Nominee Director on the Board of Equirus Capital Private Limited, Associate Company.

The Bank monitors performance of its subsidiary Companies, inter-alia, by the following means:

- The Audit Committee reviews financial statements of the subsidiary Companies, along with investments made by them.
- The Board of Directors reviews the Board Meeting minutes and statements of all significant transactions and arrangements, if any, of subsidiary Companies.

The Bank does not have a listed subsidiary.

General Body Meetings

A. Details of the last three general body meetings, Special Resolutions taken up in those meetings and passed with requisite majority are mentioned hereunder:

Name of Meeting - 86th Annual General Meeting
Day, Date and Time of Meeting - Friday, 14 July 2017 at 10.00 AM.
Venue - Mahatma Gandhi Municipal Town Hall, Aluva
Special Resolutions Reappointment of Mr. K M Chandrasekhar as an Independent Director of the Bank Reappointment of Mr. Nilesh Vikamsey as an Independent Director of the Bank. Reappointment of Mr. Dilip G Sadarangani as an Independent Director of the Bank Reappointment of Mr. Harish H Engineer as an Independent Director of the Bank Reappointment of Ms. Grace Koshie as an Independent Director of the Bank Reappointment of Ms. Shubhalakshmi Panse as an Independent Director of the Bank To introduce and implement a scheme for grant of stock options - "ESOS 2017" Approval for amendment of Article 80 of Articles of Association of the Bank Approval of Long Term Bond issuance programme for the financial year 2017-18 Approval for increase of the Borrowing power of the Bank by ₹ 7000 Crore over and above the Paid up Capital and free reserves of the Bank pursuant to section 180 (1) (c) of the Companies Act, 2013

Name of Meeting - 87th Annual General Meeting
Day, Date and Time of Meeting - Friday, 10 August 2018 at 10.00 AM
Venue - Mahatma Gandhi Municipal Town Hall, Aluva
Special Resolutions Approval for raising of funds through Issuance of Bonds for FY 2018-19. Approval for increase of the Borrowing power of the Bank by ₹ 12000 Crore over and above the Paid up Capital , free reserves including securities premium of the Bank pursuant to section 180 (1) (c) of the Companies Act, 2013.

Name of Meeting - 88th Annual General Meeting
Day, Date and Time of Meeting - Thursday, July 25, 2019 at 10.00 AM
Venue - Mahatma Gandhi Municipal Town Hall, Aluva
Special Resolutions To re-appoint Mr. C. Balagopal (DIN: 00430938) as an Independent Director for the second term. Approval for Raising of Funds through Issuance of Bonds for FY 2019-20.

During the year, all recommendations of the Board of Directors were accepted by the Shareholders of the Bank in respect of special businesses mentioned in the 88th Annual General Meeting notice.

B. Postal Ballot

During the year under review, no resolution was passed through postal ballot. Currently, no resolution is proposed to be passed through postal ballot. However, if required, the same shall be passed in compliance of provisions of Companies Act, 2013, Listing Regulations or any other applicable laws.

Ethical Standards Employed by the Bank

All the employees of the Bank are required to comply with Bank's service manuals which, inter alia, provides for various ethical practices to be adhered to by them. It also includes Code of Ethics and Business Conduct, which provides the guidelines on standards of business conduct and it applies to all employees of the Bank. The Code explains the conduct and ethical behaviour to be exhibited by each employee towards customers, colleagues and other stakeholders to uphold the collective interest of the Bank. This includes Bank's obligation to comply with all general laws, local rules and regulations relevant to our activity and its commitment to enhance shareholders' value.

Policies, Affirmations and Disclosures

A. Code of Corporate Governance and Code of Conduct

The Board of Directors of the Bank has adopted the Code of Corporate Governance and Code of Conduct for the Directors of the Bank and for Management, and the code is reviewed on an annual basis. All the Board members and the senior management of the Bank have affirmed compliance to the Bank's Code of Corporate Governance and Code of Conduct. Bank's Code of Corporate Governance and Code of Conduct for Directors and Management are available on the website of the Bank www.federalbank.co.in. All Board Members and Senior Management Personnel affirm compliance with the Code of Conduct annually. A declaration signed by the Chief Executive Officer (CEO) to this effect is placed at the end of this report.

B. Related Party Transactions

All related party transactions that were entered during the financial year were in the ordinary course of the business of the Bank and were on arm's length basis. There were no materially significant related party transactions entered by the Bank with Related parties which may have a potential conflict with the interest of the Bank. All Related Party Transactions were placed before the Audit Committee of the Board for approval. Prior omnibus approval for transactions which are of repetitive nature is obtained from the Audit Committee and accordingly the required disclosures are made to the Committee on quarterly basis in terms of the approval of the Committee.

The policy on materiality of Related Party Transactions and also on dealing with Related Party Transactions as approved by the Audit Committee and the Board of Directors is uploaded on the website of the Bank and the link for the same is <http://www.federalbank.co.in/our-commitments>

Since all related party transactions entered into by the Bank were in the ordinary course of business and were on an arm's length basis, disclosures as per Form AOC-2 is not applicable to the Bank. There were also no material contracts or arrangement or transactions with related parties during the period.

C. Details of non-compliance by the Bank

The Bank has complied with all the requirements of regulatory authorities. No penalties/strictures were imposed on the Bank by Stock Exchanges or SEBI or any statutory authority on any matter related to capital markets during the last three years.

D. Disclosure on compliance with Corporate Governance Requirements specified in Listing Regulations

The Bank has complied with the requirements of Part C (Corporate Governance Report) of Sub-Paras (2) to (10) of Schedule V of the Listing Regulations.

The Bank has complied with Corporate Governance requirements specified in Regulation 17 to 27 and Clauses (b) to (i) of Sub-

Regulation (2) of Regulation 46 of the Listing Regulations and necessary disclosures thereof have been made in this Corporate Governance report.

E. Commodity Price Risk or Foreign Exchange Risk and Hedging Activities

The Foreign Exchange Risk arising out of Forex positions of the Bank is monitored by the Market Risk Division of Integrated Risk Management Department. Various risk limits such as Daylight Limit, NOOP, AGL and Forex VAR are defined in the Market Risk Management Policy of the Bank and are closely monitored by the Market Risk Division. The policy of the Bank on Investment, Forex and Derivative operations lays out the operative guidelines for Foreign Exchange operations. The Foreign Currency Assets and Liability gap is ascertained by Treasury Department and is managed using hedging tools such as swaps, wherever found necessary. Bank is not involved in Commodity Price Risk hedging activities.

F. Federal Bank Code of Conduct for Regulating, Monitoring and Reporting Trading by Insiders and code of Practices and Procedures for Fair Disclosure

The Bank has in place a Code of Conduct for Regulating, Monitoring and Reporting Trading by Insiders and Code of Practices and Procedures for Fair Disclosure in accordance with SEBI (Prohibition of Insider Trading) Regulations, 2015. The same have been revised during the year in accordance with amendments in the SEBI (Prohibition of Insider Trading) Regulations, 2015. The Code of Conduct for Prevention of Insider Trading lays down guidelines advising the Management, staff and other connected persons, on procedures to be followed and disclosures to be made by them while dealing with the shares of Bank, and while handling any Unpublished Price Sensitive Information, cautioning them of the consequences of violations.

Mr. Samir P Rajdev, Company Secretary of the Bank has been designated as Compliance Officer.

Senior Management of the Bank has affirmed compliance with the Code of Conduct.

G. Whistle Blower Policy/Vigil Mechanism

Bank has a comprehensive Fraud Risk Management Policy that speaks on various control systems, monitoring and surveillance mechanism so as to prevent, detect and investigate frauds both internal and external. Vigilance department plays a dynamic role in prevention as well as investigation of frauds. Preventive measures include spreading awareness on potential fraudulent activities and instigating a compliant environment among all employees of the Bank. Effectiveness of fraud prevention mechanism is ensured by conducting Preventive Vigilance Workshops, Preventive Vigilance Audits and alerts to all employees on regular basis that disseminates various modus operandi of frauds in the banking industry. Bank has been keen on educating customers against fraudulent activities

through various channels including SMS, E-mails, posters at Branches, scroll messages on Bank website and internet banking webpage, etc. Suspected frauds/complaints/internal irregularities are promptly investigated by the Vigilance Department.

As part of Detective Vigilance all the cases of suspected frauds reported in the Bank are investigated in detail. Lacunae if any observed during the course of investigation are plugged and wherever warranted systemic corrections are implemented.

Bank has a robust Whistle Blower Policy termed as Protected Disclosure Scheme (PDS) with a view to enhancing public confidence in the Bank and also in compliance of rules in this regard. The policy aims at establishing an efficient vigil mechanism in the Bank to quickly spot aberrations and deal with it at the earliest. It is disseminated among the employees assuring confidentiality and protection to the whistle blower against any personal vindictive actions such as humiliation, harassment or any other form of unfair treatment. Directors and Employees of the Bank, employee representative bodies, customers, stakeholders, non-governmental organizations (NGO) and members of the public can lodge complaints/disclosures under this scheme. The Head of Vigilance Department in the Bank will be the nodal officer to receive complaints under the scheme. In exceptional cases the Chairman of the Audit Committee may act as the nodal officer. A dedicated e-mail ID is provided for sending complaints/disclosures under PDS. An e-mail ID for sending complaints to the Chairman of Audit Committee in exceptional cases is also provided. Vigilance Department conducts investigation of all complaints /information received through the PDS and submits report to MD & CEO. The details of the complaints and findings are also placed before the Audit Committee of the Board on a quarterly basis. The scheme is popularised through various measures such as preventive vigilance classes, internal circulars, alerts etc. No personnel have been denied access for giving any information as envisaged in the Protected Disclosure scheme. The PDS Document is made available in Intranet and Bank's website,

www.federalbank.co.in under section "Customer Relations – Codes, Policies & Disclosures".

H. Dividend Distribution Policy

To bring transparency in the matter of declaration of dividend and to protect the interests of investors, Bank has in place a Dividend Policy since long. The Policy is in line with Regulation 43A of the Listing Regulations and the Companies Act, 2013 which has been displayed on the Bank's website, www.federalbank.co.in and is also available in the Director's Report which forms part of the Annual Report.

I. CEO/CFO Certification

In terms of Regulation 17(8) read with Part B of Schedule II to the Listing Regulations, the CEO and CFO have issued a certificate to the Board of Directors of the Bank with regard to the financial statements and other matters specified in the said regulation and the same is

placed at the end of this report.

J. Utilization of funds raised through Preferential Allotment or Qualified Institutions Placement

During the year under review, no funds were raised through preferential allotment or qualified institutions placement as specified under Regulation 32 (7A) of Listing Regulations.

K. Certificate from Company Secretary in Practice regarding disqualification of Directors

In terms of Clause 10(i) of Para C of Schedule V of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Secretarial Auditors of the Bank, M/s. SEP & Associates , Practicing Company Secretaries have issued a certificate that none of the Directors on the Board of the Bank have been debarred or disqualified from being appointed or continuing as Directors of Companies by the Board/Ministry of Corporate Affairs or any such statutory authority. The same is placed at the end of this report.

L. Recommendations of Committee(s) of the Board of Directors

During the year, all recommendations of Committee(s) of the Board of Directors, which are mandatorily required, were accepted by the Board.

M. Internal Controls

The Bank has a system of internal control which examines both the financial effectiveness and operational effectiveness to ensure reliability of financial and operational information and all statutory /regulatory compliances.

N. Disclosures in relation to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013

Kindly refer to relevant disclosures in the Directors' Report which forms part of the Annual Report 2019-20.

O. Fees paid to Statutory Auditors

The total fees incurred by the Bank and its subsidiaries on a consolidated basis, for services rendered by Joint Statutory Central Auditors (M/s. BSR & Co LLP and M/s. M M Nissim & Co) and its affiliates entities, is given below:

(₹ in Crore)

Particulars	FY 2019-20
Audit Fees*	2.01
Statutory Certificates	0.27
Total	2.28

* - Includes certification and branch audit fee

P. Credit Ratings and Change/ Revisions in Credit Ratings for Debt Instruments

Details of Credit Ratings obtained by your Bank during the financial

year are as follows;

- CRISIL A1+ for the Certificate of Deposit Programme of the Bank
- CARE AA (Stable) [Double A, Outlook: Stable] for the Tier II bonds (Under Basel III)
- IND AA/Stable by India Rating and Research for the Tier II bonds (Under Basel III)

Q. Outstanding GDRS/ADRS/Warrants or any Convertible Instruments, Conversion Date and Likely Impact on Equity

The Bank has 3,18,02,641 GDRs (equivalent to equity shares) outstanding, which constituted 1.60% of the Bank's total capital as at March 31, 2020.

R. Compliance with Mandatory Requirements

The Bank has complied with all applicable mandatory requirements of the Listing Regulations during the financial year 2019-20. Quarterly compliance report on Corporate Governance, in the prescribed format, duly signed by the compliance officer is submitted regularly with the Stock Exchanges where the shares of the Bank are listed. The required disclosures under SEBI (LODR) Regulations, 2015 are detailed under various portions of Directors Report and Corporate Governance Report and compliance has been ensured.

Adoption of Discretionary Requirements

A. Modified opinion(s) in Audit Report

The auditors have expressed an unmodified opinion on the financial statements of the Bank.

B. Separate posts of Chairperson and Chief Executive Officer

The Bank has also complied with the adoption of non-mandatory requirement on separate posts of Chairperson and Chief Executive Officer. Ms. Grace Koshie is the Chairperson and Mr. Shyam Srinivasan is the Managing Director & CEO of the Bank as on March 31, 2020.

C. Reporting of Internal Auditor

The Internal Auditors of the Bank report directly to the Audit Committee of the Bank.

D. Shareholders Rights

Quarterly Financial Results are uploaded on the Bank's website www.federalbank.co.in.

Means of communication

A. Financial Results

The quarterly, unaudited and annual audited Standalone & Consolidated financial results were published in nationally circulated newspaper in English, in Financial Express/ Mint and in the regionally circulated Malayalam daily Deepika. The results were also displayed on the Bank's website, www.federalbank.co.in.

B. Annual Report

Physical copy of the Annual Report for FY 2018-19, containing inter alia, details of the Audited Financial Statements, Director's Report (including Management Discussion and Analysis and Corporate Governance Report) was sent to all shareholders who had not registered their email ids for the purpose of receiving documents/ communication from the Bank in electronic mode and is also available at the Bank's website, www.federalbank.co.in

C. News Releases/ Presentations

Official press releases, presentations made to the media, analysts, institutional Investors, etc. are displayed on the Bank's website, www.federalbank.co.in.

D. Website

The Bank's website, www.federalbank.co.in contains a separate section 'Investor Relations' for use of investors. The quarterly, half yearly and annual financial results, official news releases and presentations made to institutional Investors and to analysts are promptly and prominently displayed on the website. Annual Reports, Quarterly Corporate Governance Report, Shareholding Pattern and other Corporate Communications made to the Stock Exchanges are also available on the website. Annual Report of subsidiary Companies is also posted on the website.

The 'Investor Relations' section provides the details of unclaimed dividends warrants for dividends declared upto the financial year ended 31.03.2019, to help shareholders to claim the same. In addition various downloadable forms required to be executed by the shareholders have also been provided on the website.

Share price page are also provided in 'Investor Relations' section. Share price page includes, inter alia, real time updates on stock price, stock movement, historical share price data etc.

E. Communication to Shareholders on e-mail

Documents like Notices, Annual Report etc. are sent to the shareholders at their email address, as registered with their Depository Participants/ Company/ Registrar and Transfer Agents (RTA). This helps in prompt delivery of document, reduce paper consumption and avoid loss of documents in transit. Members who have not yet registered their email id (including those who wish to change their already registered email id) may get the same registered/ updated either with their depositories or by writing to the Bank/ RTA.

F. Reminders to Shareholders

Reminders for claiming unclaimed shares lying with the Bank which are liable to be transferred to the Investor Education and Protection Fund Authority are sent to the Shareholders as per Bank records.

G. NEAPS (NSE Electronic Application Processing System) and BSE Listing centre

NSE and BSE have developed web based applications for Corporates. All compliances like financial results, Shareholding Pattern and

Corporate Governance Report, etc. are filed electronically on NEAPS/ BSE Listing centre.

H. SCORES (SEBI complaints redressal system)

SEBI processes investor complaints in a centralized web based complaints redressal system i.e., SCORES. Through this system a shareholder can lodge complaint against a Company for his grievance. The Company uploads the action taken on the complaint which can be viewed by the shareholder. The Company and shareholder can seek and provide clarifications online through SCORES.

GENERAL INFORMATION FOR SHAREHOLDERS

A. Company Registration Details

The Company is registered in Kerala, India. The Corporate Identification Number (CIN) allotted by the Ministry of Corporate Affairs (MCA) is L65191KL1931PLC000368.

B. Annual General Meeting

Date: July 16, 2020; Time: 11 am; Venue: Through Video Conferencing ('VC') or Other Audio Visual Means ('OAVM')

C. Financial Calendar

Financial Year: April 1, 2019 to March 31, 2020

For the financial year ended March 31, 2020, results were announced on:

- First Quarter: July 16, 2019
- Second Quarter: October 16, 2019
- Third Quarter: January 20, 2020
- Fourth Quarter & Annual: May 28, 2020

D. Book Closure

The dates of Book Closure are from Saturday, July 11, 2020 to Thursday, July 16, 2020 (both days inclusive).

E. Dividend Payment

Reserve Bank of India vide its circular dated April 17, 2020, has directed that banks shall not make any further dividend payouts from profits pertaining to the financial year ended March 31, 2020 until further instructions, with a view that banks must conserve capital in an environment of heightened uncertainty caused by Covid-19 pandemic.

F. Dates for Transfer of Unclaimed Dividend to Investors Education and Protection Fund (IEPF)

Pursuant to Section 124 of the Companies Act, 2013, final dividend for the financial year 2011- 12 amounting to ₹ 9,342,315 which remained unpaid /unclaimed for a period of seven years from the date it was lying in the unpaid dividend account, has been transferred by the Bank to the Investors Education and Protection Fund (IEPF) of the Central Government on October 01, 2019.

The dividend for following years (see table below), which remains unclaimed for seven years from the date it is lying in the unpaid dividend account of the Bank, will be transferred to the IEPF in accordance with the schedule given below. Shareholders who have not encashed their dividend warrants relating to the dividends specified below are requested to immediately send their request for issue of duplicate warrants/ for credit to their bank account with requisite documents. The details of dividends specified below are available on the website of the Bank, www.federalbank.co.in. Once unclaimed dividends are transferred to IEPF, no claim shall lie in respect thereof with the Bank. However, shareholders may claim their unclaimed amount as per the procedures/guidelines issued by the Ministry of Corporate Affairs (MCA). For details, Investors can visit the website of IEPF Authority viz., www.iepf.gov.in.

Financial Year	Type of Dividend	Dividend rate %	Date of Declaration	Due date for transfer to IEPF
2012-13	Final	90	20.07.2013	20.08.2020
2013-14	Final	100	14.07.2014	13.08.2021
2014-15	Final	110	29.06.2015	29.07.2022
2015-16	Final	35	11.08.2016	10.09.2023
2016-17	Final	45	14.07.2017	16.08.2024
2017-18	Final	50	10.08.2018	12.09.2025
2018-19	Final	70	25.07.2019	30.08.2026

G. Mandatory Transfer of Shares to Demat Account of Investors Education and Protection Fund Authority (IEPFA) in case of unpaid/ unclaimed dividend on shares for a consecutive period of seven years

In terms of Section 124(6) of the Companies Act, 2013 read with Rule 6 of the Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016, (as amended from time to time) shares on which dividend has not been paid or claimed by a shareholder for a period of seven consecutive years or more shall be credited to the Demat Account of Investor Education and Protection Fund Authority (IEPFA) within a period of thirty days of such shares becoming due to be so transferred. Upon transfer of such shares, all benefits (like bonus, etc.), if any, accruing on such shares shall also be credited to such Demat Account and the voting rights on such shares shall remain frozen till the rightful owner claims the shares. Shares which are transferred to the Demat Account of IEPFA can be claimed back by the shareholder from IEPFA by following the procedure prescribed under the aforesaid rules. Therefore, it is in the interest of shareholders to regularly claim the dividends declared by the Bank.

Consequent to the above, during the financial year 2019-20, 3,00,131 equity shares of the Bank were transferred to the IEPFA. Relevant details of such shares are available on the website of the Bank, www.federalbank.co.in.

H. Listing

At present, the Equity Shares of the Bank are listed at:

- **BSE Ltd (BSE)**

Address: Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai- 400 001

- **National Stock Exchange of India Limited (NSE)**

Address: Exchange Plaza, Plot No. C/1, G Block, Bandra-Kurla Complex, Bandra (E)

The GDRs issued by the Bank in 2006 have been listed on the London Stock Exchange, 10 Paternoster Sq., London EC4M 7LS, United Kingdom.

The Bank's shares were also listed in Cochin Stock Exchange, but as per exit order granted by SEBI to Cochin Stock Exchange Limited vide, order dated December 23, 2014, the Banks shares are no more listed/traded in Cochin Stock Exchange.

I. Bank's Stock Exchange Code

BSE Scrip Code : 500469 (Scrip ID: FEDBANK)

NSE Symbol : FEDERALBNK

LSE Scrip Code : FEDS

Demat ISIN Code : INE171A01029

The annual listing fees up to the financial year 2020-21 to BSE and NSE has been paid.

The Bank has paid the custodial fees to the NSDL and CDSL as per the SEBI Circular CIR/MRD/DP/05 2011 dated April 27, 2011 for the year 2020-21.

J. Equity Evolution during the year

As at March 31, 2020, the paid-up share capital of the Bank was ₹3,985,329,144/- consisting of 1,992,664,572 equity shares of ₹ 2/- each. Details of equity evolution of the Bank during the year under review is as under

Allotment of Equity Shares pursuant to exercise of ESOS	
(Face Value per Share is ₹ 2/-)	
29.04.2019	280030
10.06.2019	511867
27.06.2019	139962
17.07.2019	1327308
27.08.2019	808885
09.10.2019	2302896
02.11.2019	556187
04.12.2019	1158054
23.12.2019	141040
22.01.2020	105400
20.02.2020	281240

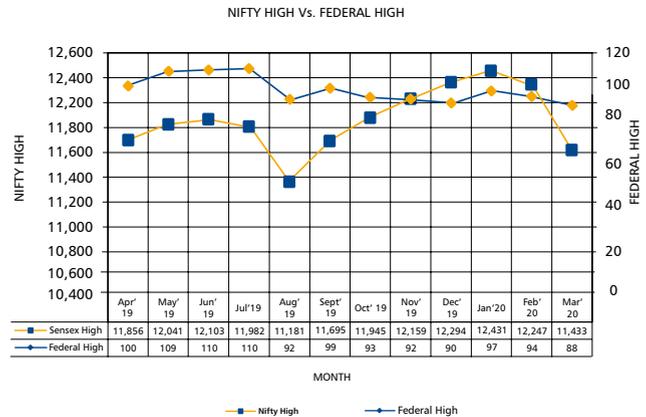
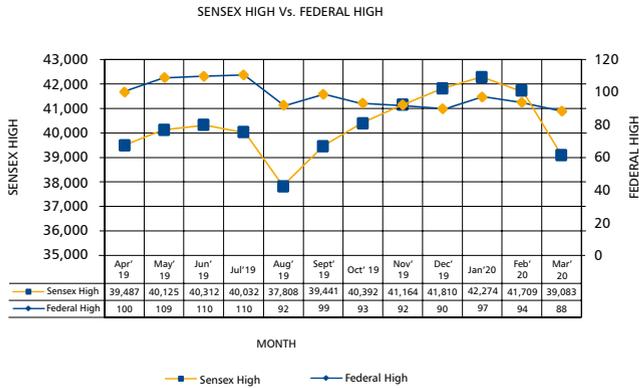
K. Stock Market Data

a. Market price data- high, low during each month in the Financial Year 2019-20

Monthly high and low quotations for each month during the Financial Year 2019-20 at the National Stock Exchange of India Limited and the BSE Ltd., are as follows:

NSE			BSE		
Month	High	Low	Month	High	Low
Apr '19	100.00	92.00	Apr '19	100.00	92.00
May '19	109.00	92.15	May '19	109.00	92.00
Jun '19	109.80	100.85	Jun '19	109.70	100.90
Jul '19	110.40	89.20	Jul '19	110.35	89.20
Aug '19	91.95	79.15	Aug '19	92.00	79.10
Sep '19	98.55	79.75	Sep '19	98.60	79.80
Oct '19	93.25	79.00	Oct '19	93.15	79.05
Nov '19	92.10	81.40	Nov '19	92.05	81.35
Dec '19	89.85	83.00	Dec '19	89.85	83.05
Jan '20	96.95	85.60	Jan '20	96.95	85.70
Feb '20	93.70	81.00	Feb '20	93.65	81.00
Mar '20	88.20	35.70	Mar '20	88.30	35.70

b. Performance in comparison to broad based indices such as BSE – Sensex and NSE – Nifty 50



L. Distribution of Shareholding

Details of distribution of shareholding of the equity shares of the Bank by size and by ownership class on March 31, 2020 along with Shareholders holding more than 1% of shares of the Bank is given below:

Shareholding pattern by size as on March 31, 2020

Value	Total number of share holders	% of Share-holders	Total Value	% of shares
1	2	3	4	5
Upto 5000	347602	92.99	109732895	5.51
5001 - 10000	12828	3.43	46443108	2.33
10001 - 20000	7485	2.00	53380499	2.68
20001 - 30000	2411	0.64	29648942	1.49
30001 - 40000	843	0.23	15034773	0.75
40001 - 50000	576	0.15	13045700	0.65
500001 - 100000	1109	0.30	39265535	1.97
ABOVE 100001	974	0.26	1686113120	84.62
Total	373,828	100	1,992,664,572	100

Shareholding pattern by ownership as on March 31, 2020

Share holder Category	No of Shares	%
Mutual Funds	509368009	25.56
Financial Institutions/Bank/Insurance Companies	208555112	10.47
Foreign Portfolio Investor & Alternate Investment Fund	662696704	33.26
Bodies Corporate	17330326	0.87
Individual(including NRIs)	526207992	26.41
NBFCs Registered with RBI	194901	0.01
Central Govt/ State Govt/ President of India	510	0.00
Any Other(Trust, Overseas Corporate Bodies, Foreign Bank, Foreign Body Corporate, LLP, Clearing Member)	36508377	1.83
No. of shares underlying Depository Receipts	31802641	1.60
Total no. of shares held	1992664572	100%

Shareholders holding more than 1% as on March 31, 2020

SL No.	Name	Shares held	%
1	ICICI Prudential Mutual Fund	94934066	4.84
2	HDFC Life Insurance Company Limited	56664091	2.89
3	Life Insurance Corporation of India	90406887	4.61
4	DSP Mutual Fund	53966298	2.75
5	Aditya Birla Sun Life Mutual Fund	25117262	1.28
6	Fidelity Investment Trust Fidelity Series Emerging Markets Opportunities Fund	43436094	2.22
7	HDFC Mutual Fund	68052817	3.47

SL No.	Name	Shares held	%
8	Kotak Mahindra Mutual Fund	32196522	1.64
9	Reliance Mutual Fund	69773482	3.56
10	Sundaram Mutual Fund	26596735	1.36
11	Vanguard Emerging Markets Stock Index Fund, A Series of VIEIF	21404771	1.09
12	Franklin Templeton Investment Funds	31239082	1.59
13	MFS International New Discovery Fund	26502621	1.35
14	SBI Mutual Fund	34876557	1.78
15	Vanguard Total International Stock Index Fund	27435415	1.40
16	Deutsche Bank Trust Company Americas	31802641	1.62
17	East Bridge Capital Master Fund Limited	48345447	2.47
18	Norges Bank on Account of the Government Pension Fund Global	37489510	1.91
19	Bank Muscat India Fund	33351210	1.70
20	East Bridge Capital Master Fund I Limited	37729342	1.92
21	Kotak Funds - India Midcap Fund	22483798	1.15
22	Yusuffali Musaliam Veettil Abdul Kader	77600640	3.96
23	Rakesh Jhunjhunwala	60321060	3.08

M. Dematerialisation of the Bank's Shares

The Paid up Equity Shares of the Bank as on March 31, 2020 is 1,992,664,572 shares. Out of this 1,991,645,897 shares are listed. Of the total paid up equity shares of the Bank, 1,756,191,150 shares (88.07%) are held in dematerialized form in NSDL, 215,671,763 (10.82%) in CDSL and 20,801,659 (1.04%) are in physical form. Under agreements with National Securities Depository India Ltd., (NSDL) and Central Depository Services Ltd (CDSL), the Bank's shares can be and are traded in electronic form. The equity shares of the Bank are frequently traded at BSE Ltd. and National Stock Exchange of India Ltd.

Shareholders who continue to hold shares in physical form are requested to dematerialize their shares at the earliest and avail the benefits of dealing in shares in demat form. For convenience of shareholders, the process of getting the shares dematerialized is given hereunder:

- Demat account should be opened with a Depository Participant (DP).
- Shareholders should submit the Dematerialization Request Form (DRF) along with share certificates in original, to their DP.
- DP will process the DRF and will generate a Dematerialization Request Number (DRN).
- DP will submit the DRF and original share certificates to the Registrar and Transfer Agents (RTA), which is Integrated Registry Management Services Private Limited.
- RTA will process the DRF and confirm or reject the request to DP/depositories.
- Upon confirmation of request, the shareholder will get credit of the equivalent number of shares in his demat account maintained with the DP.

N. Registrars and Share Transfer Agent

SEBI vide Regulation 7 of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 (Listing Regulations), has mandated that where the total number of security holders of the Company exceeds one lakh, the Company shall register with SEBI as a Category II Share Transfer Agent for all work related to share registry or appoint a Registrar to an Issue and Share Transfer Agent registered with SEBI. Bank had appointed Integrated Registry Management Services Private Limited as its RTA for both segments, physical and electronic, much before this was mandated by SEBI.

As required under Regulation 7(3) of the Listing Regulations, the Bank files, on half yearly basis, certificate issued by RTA and compliance officer of the company certifying that all activities in relation to both physical and electronic share transfer facility are maintained by RTA registered with SEBI i.e., Integrated Registry Management Services Private Limited.

Details of the RTA are given below-

Integrated Registry Management Services Private Limited

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

O. Share Transfer System

Integrated Registry Management Services Private Limited, the Registrar and Share Transfer Agents looks after the share transfer. The Bank's equity shares which are in compulsory dematerialized (demat) list are transferable through the depository system. Shares in

physical form are processed by the RTA and approved by the Investor Grievance, Share Transfer and Stakeholders' Relationship Committee of the Bank. Pursuant to the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, with effect from April 1, 2019, except in case of transmission or transposition of securities, requests for effecting transfer of securities shall not be processed unless the securities are held in dematerialized form with a depository.

All share transfers are completed within statutory time limit from the date of receipt, provided the documents meet the stipulated requirement of statutory provisions in all respects. The Bank obtains, from a company secretary in practice, half yearly certificate of compliance with the share transfer/ transmission or transposition of securities formalities as required under Regulation 40(9) of the Listing Regulations, and the Bank files a copy of the same with the Stock Exchanges.

An independent firm of practicing Company Secretaries carries out the Reconciliation of Share Capital Audit as mandated by SEBI, and reports on the reconciliation of total issued and listed Capital with that of total share capital admitted / held in dematerialized form with NSDL and CDSL and those held in physical form. This audit is carried out on quarterly basis and the report thereof is submitted to the Stock Exchanges, where the Bank's shares are listed.

P. Compliance with Secretarial Standards

Your Bank is in compliance with the applicable Secretarial Standards issued by The Institute of Company Secretaries of India and approved by the Central Government under Section 118(10) of the Companies Act, 2013 for FY 2019-20.

Q. Company's Registered Office Address

The Federal Bank Ltd, PB No. 103, Federal Towers, Head Office, Aluva – 683 101, Kerala State, India

The Bank has a network of 1263 Branches across India as on March 31, 2020.

Address for correspondence:

Contact information of Bank's designated official for assisting and handling of investor grievance	Company Secretary and Compliance officer Secretarial Department The Federal Bank Limited Corporate Office Federal Towers, Alwaye - 683 101 Ph.: 0484-2634061 / 0484-2622263 Email: secretarial@federalbank.co.in
Registrars and Share Transfer Agents	Integrated Registry Management Services Private Limited 2nd Floor, Kences Towers, No.1,Ramakrishna Street, Off: North Usman Road, T.Nagar, Chennai- 600 017. Ph.No: 044-28140801-03; Fax: 044-28142479 Email : csdstd@integratedindia.in

**Certification by Managing Director & Chief Executive Officer of the Company
Declaration on Code of Conduct**

In compliance with the requirements of the Regulation 26(3) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 this is to confirm that all the Board Members and the Senior Management Personnel have affirmed compliance with the Code of Conduct for the financial year ended 2019-20.

Place : Aluva
Date : June 19, 2020

Shyam Srinivasan
Managing Director & CEO,
The Federal Bank Ltd

CEO/ CFO Certificate

We, Shyam Srinivasan, Managing Director & Chief Executive Officer and Ashutosh Khajuria, Executive Director & Chief Financial Officer of The Federal Bank Limited, hereby certify that:

- A. We have reviewed financial statements and the cash flow statement for the year ended March 31, 2020 and that to the best of our knowledge and belief:
 - 1. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - 2. these statements together present a true and fair view of Bank's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- B. There are, to the best of our knowledge and belief, no transactions entered into by the Bank during the year which are fraudulent, illegal or violate of the Bank's code of conduct.
- C. We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Bank pertaining to financial reporting and have disclosed to the auditors and the audit committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- D. We have indicated to the Auditors and the Audit committee:
 - 1. significant changes in internal control over financial reporting during the year;
 - 2. significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
 - 3. instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Bank's internal control system over financial reporting.

Ashutosh Khajuria
Executive Director & Chief Financial Officer

Shyam Srinivasan
Managing Director & Chief Executive Officer

Place: Kochi
Date: May 28, 2020

Annexure – 1

DETAILS OF OTHER DIRECTORSHIPS HELD

Name of the Directors	Status	Directorship*	Category	Committee Membership	Committee Chairmanship
Ms. Grace Koshie	ID	Listed Companies			
		Firstsource Solutions Limited	ID	Nil	Audit Committee
		CESC Ventures Limited	ID	Audit Committee	Nil
Ms. Shubhalakshmi Panse	ID	Listed Companies			
		Sudarshan Chemical Industries Limited	ID	Nil	Audit Committee
		PNB Housing Finance Limited	ID	Nil	Audit Committee & Stakeholders Committee
		KPIT Technologies Limited	ID	Audit Committee	Nil
		Atul Limited	ID	Nil	Nil
Mr. C Balagopal	ID	Unlisted Public Company			
		Federal Operations and Services Limited	NED	Nil	Nil
Mr. A P Hota	ID	Unlisted Public Companies			
		IDBI Intech Ltd	ID	Audit Committee	
		Motilal Oswal Asset Management Company	ID	Audit Committee	Nil
		NSDL e-Gov Infrastructure Limited	Add. Director	Nil	
Mr. K Balakrishnan	ID	Unlisted Public Company			
		Fedbank Financial Services Ltd	ID	Audit Committee	Nil
Mr. Siddhartha Sengupta	ID	Unlisted Public Companies			
		Standard Chartered Investments and Loans (India) Limited	ID	Audit Committee	Nil
		Tara Chand Logistic Solutions Limited	ID	Audit Committee	Nil
		IIFL Trustee Limited	ID	Nil	Audit Committee
Mr. Manoj Fadnis	ID	Listed Companies			
		Kriti Nutrients Limited	ID	Stakeholders Relationship Committee	Audit Committee
		Kriti Industries (India) Limited	ID	Nil	Audit Committee
		Unlisted Public Companies			
		Yes Securities (India) Limited	ID	Nil	Audit Committee
		Yes Asset Management (India) Limited	ID	Nil	Audit Committee
Mr. Sudarshan Sen	ID	Nil	NA	NA	NA
Mr. Shyam Srinivasan	ED	Unlisted Public Companies			
		IDBI Federal Life Insurance Company Limited	NED	Nil	Nil
		Fedbank Financial Services Limited	NED	Nil	Nil
Mr. Ashutosh Khajuria	ED	Unlisted Public Company			
		IDBI Federal Life Insurance Co. Limited	NED	Audit Committee	Nil
Ms. Shalini Warriar	ED	Unlisted Public Company			
		Federal Operations and Services Limited	NED	Nil	Nil

*Directorship in Unlisted Public and Listed Companies are only considered.

*Committee Membership in Audit and Stakeholder Relationship Committee are only considered

Independent Auditor Certificate on Compliance of Corporate Governance

To
The Members,
The Federal Bank Limited

1. We have examined the compliance of conditions of Corporate Governance by The Federal Bank Limited ('the Bank'), for the financial year ended on March 31, 2020, as stipulated in Regulations 17 to 27, clauses (b) to (i) of Regulation 46(2) and paragraphs C, D and E of Schedule V to the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred as the "Listing Regulations") as amended from time to time.

Management's Responsibility

2. The compliance of conditions of Corporate Governance is the responsibility of the Management. This responsibility includes the design, implementation and maintenance of internal control and procedures to ensure compliance with the conditions of the Corporate Governance stipulated in the Listing Regulations. Responsibility also includes collecting, collating and validating data and designing, implementing and monitoring of Corporate Governance process suitable for ensuring compliance with the above mentioned Listing Regulations.

Our Responsibility

3. Pursuant to the Listing Regulations, it is our responsibility to provide a reasonable assurance whether the Bank has complied with the conditions of Corporate Governance as stipulated in Listing Regulations for the year ended March 31, 2020.
4. We have examined the compliance of conditions of Corporate Governance by the Bank for the period April 1, 2019 to March 31, 2020 as per the Listing Regulations. Our responsibility is limited to examining the procedures and implementation thereof, adopted by the Bank for ensuring compliance with the conditions of the Corporate Governance for the period April 01, 2019 to March 31, 2020. It is neither an audit nor an expression of opinion on the financial statements of the Bank.

Opinion

5. Based on our examination of the relevant records and according to the information and explanations provided to us and the representations provided by the Management, we certify that the Bank has complied with the conditions of Corporate Governance as stipulated in Regulation 17 to 27 and clauses (b) to (i) of Regulation 46(2) and para C and D of Schedule V to the Listing Regulations during the financial year ended March 31, 2020.
6. 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.

Restriction on use

7. The certificate is addressed and provided to the members of the Bank solely for the purpose to enable the Bank to comply with the requirement of the Listing Regulations, and it should not be used by any other person or for any other purpose.

For SEP & Associates

UDIN: F003050B000337494

Company Secretaries
(ICSI Unique Code: P2019KE075600)

Sd/-

CS Sivakumar P

Managing Partner
COP: 2210 FCS: 3050

Date: June 12, 2020

Place: Kochi



CERTIFICATE OF NON-DISQUALIFICATION OF DIRECTORS

(Pursuant to Regulation 34(3) and Schedule V Para C clause (10)(i) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015)

To
The Members
The Federal Bank Limited
Federal Towers, P B No. 103
Alwaye-683101

We have examined the relevant registers, records, forms, returns and disclosures received from the Directors of The Federal Bank Limited having CIN: L65191KL1931PLC000368 having registered office at Federal Towers, P B No. 103, Alwaye, Kerala -683101 (hereinafter referred to as the "Bank"), produced before us by the Bank for the purpose of issuing this Certificate, in accordance with Regulation 34(3) read with Schedule V Para-C Sub clause 10(i) of the Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended.

In our opinion and to the best of our information and according to the verifications (including Directors Identification Number status at the portal www.mca.gov.in) as considered necessary and explanations furnished to us by the Bank & its officers, we hereby certify that none of the Directors on the Board of the Bank as stated below, for the Financial Year ended on March 31, 2020 have been debarred or disqualified from being appointed or continuing as Directors of companies by the Securities and Exchange Board of India, Ministry of Corporate Affairs or any such other Statutory Authority.

Sl. No	Name of the Director	DIN	Initial Date of Appointment in the Company
1	Ms. Grace Koshie	06765216	22-11-2013
2	Ms. Shubhalakshmi Panse	02599310	29-04-2014
3	Mr. C Balagopal	00430938	29-06-2015
4	Mr. A P Hota	02593219	15-01-2018
5	Mr. K Balakrishnan	00034031	25-09-2018
6	Mr. Siddhartha Sengupta	08467648	13-06-2019
7	Mr. Manoj Fadnis	01087055	13-06-2019
8	Mr. Sudarshan Sen	03570051	11-02-2020
9	Mr. Shyam Srinivasan	02274773	23-09-2010
10	Mr. Ashutosh Khajuria	05154975	28-01-2016
11	Ms. Shalini Warriar	08257526	15-01-2020

Ensuring the eligibility for the appointment / continuity of every Director on the Board is the responsibility of the management of the Bank. Our responsibility is to express an opinion on this based on our verification. While forming opinion on issuance of this certificate we have also taken into consideration independent legal opinion wherever there was a scope for multiple interpretations. This certificate is neither an assurance as to the future viability of the Bank nor of the efficiency or effectiveness with which the management has conducted the affairs of the Bank.

For SEP & Associates,

UDIN: F003050B000337461

Company Secretaries

(ICSI Unique Code: P2019KE075600)

CS Sivakumar P

Managing Partner

COP: 2210 FCS: 3050

Date: June 12, 2020

Place: Kochi

Houses built under Federal Bank's CSR Initiative in Kolhapur

Your Bank rebuilt the houses of people in Batswad and Rajapurwadi villages in Kolhapur, who had lost their houses to the nature's fury. Your Bank has rebuilt 80 houses under this CSR initiative. As part of the initiative garbage pick-up vans, water ATMs and solar power system were also donated.



Section A: General Information about the Company

1. Corporate Identity Number (CIN) of the Company	L65191KL1931PLC000368
2. Name of the Company	The Federal Bank Limited
3. Registered address	Federal Towers, P O Box No.103, Aluva, Kerala, India 683 101
4. Website	www.federalbank.co.in
5. E-mail id	secretarial@federalbank.co.in
6. Financial Year reported	2019-20
7. Sector(s) that the Company is engaged in (industrial activity code-wise)	Federal Bank is a banking company governed by the Banking Regulation Act, 1949
8. List three key products/services that the Company manufactures/provides (as in balance sheet)	The Federal Bank Limited (the Bank), incorporated in Aluva, Kerala, is a publicly held banking company engaged in providing banking and financial services including retail banking, corporate banking and treasury operations.
9. Total number of locations where business activity is undertaken by the Company	
i. Number of International Locations (Provide details of major 5)	The Bank has got representative offices in Abu- Dhabi and Dubai
ii. Number of National Locations	As on 31 st March 2020, Federal Bank had a network 1263 branches and 1937 ATMs/Cash Recyclers in 24 states, Delhi NCT and 4 union territories
10. Markets served by the Company	The Bank serves customers in National and International locations

Section B: Financial Details of the Company

1. Paid up Capital (INR)	₹ 398.53 Cr
2. Total Turnover (INR)*	₹ 15142.16 Cr
3. Total profit after taxes (INR)	₹ 1542.78 Cr
4. Total Spending on Corporate Social Responsibility (CSR) as percentage of profit after tax (%)	2.75 %
5. List of activities in which expenditure in 4 above has been incurred	a) Education b) Healthcare c) Youth engagement d) Disaster Relief e) Skill development

*Total turnover represents the sum of "Interest earned" (Schedule 13 of the accounts) and "Other income" (Schedule 14 of the accounts).

Section C: Other Details

1. Does the Company have any Subsidiary Company/ Companies?	Yes. The Bank has two subsidiaries
2. Do the Subsidiary Company/Companies participate in the BR Initiatives of the parent company? If yes, then indicate the number of such subsidiary company(s)	No
3. Do any other entity/entities (e.g. suppliers, distributors etc.) that the Company does business with, participate in the BR initiatives of the Company? If yes, then indicate the percentage of such entity/entities? [Less than 30%, 30-60%, More than 60%]-	No

Section D: BR Information
1. Details of Director/Directors responsible for BR

a) Details of the Director/Director responsible for implementation of the BR policy / policies

- DIN Number : 05154975
- Name : Mr. Ashutosh Khajuria
- Designation : Executive Director &CFO

b) Details of the BR head

S.No.	Particulars	Details
1.	DIN Number (if applicable)	NA
2.	Name	Mr. Ajithkumar K K
3.	Designation	Executive Vice President & CHRO
4.	Telephone number	02268516646
5.	E-mail id	ajithkumarkk@federalbank.co.in

2. Principle-wise (as per NVGs) BR Policy/policies (Reply in Y/N)

The NVGs on social, environmental and economic responsibilities of business prescribed by the Ministry of Corporate Affairs advocates the nine principles (detailed below) as P1-P9 to be followed:

P1	Businesses should conduct and govern themselves with Ethics, Transparency and Accountability
P2	Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle
P3	Businesses should promote the wellbeing of all employees
P4	Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized
P5	Businesses should respect and promote human rights
P6	Business should respect, protect, and make efforts to restore the environment
P7	Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner
P8	Businesses should support inclusive growth and equitable development
P9	Businesses should engage with and provide value to their customers and consumers in a responsible manner

Sl. No.	Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9
1.	Do you have a policy/policies for...	Y	Y	Y	Y	Y	Y	Y	Y	Y
2.	Has the policy being formulated in consultation with the relevant stakeholders?	Y	Y	Y	Y	Y	Y	Y	Y	Y
3.	Does the policy conform to any national /international standards? If yes, specify? (50 words) *	Y	Y	Y	Y	Y	Y	Y	Y	Y
4.	Has the policy being approved by the Board? Is yes, has it been signed by MD/owner/CEO/appropriate Board Director?	Y	Y	Y	Y	Y	Y	Y	Y	Y
5.	Does the company have a specified committee of the Board/ Director/Official to oversee the implementation of the policy?	Y	Y	Y	Y	Y	Y	Y	Y	Y
6.	Indicate the link for the policy to be viewed online?	https://www.federalbank.co.in/shareholder-information								
7.	Has the policy been formally communicated to all relevant internal and external stakeholders?	Y	Y	Y	Y	Y	Y	Y	Y	Y
8.	Does the company have in-house structure to implement the policy/policies?	Y	Y	Y	Y	Y	Y	Y	Y	Y
9.	Does the Company have a grievance redressal mechanism related to the policy/policies to address stakeholders' grievances related to the policy/policies?	Y	Y	Y	Y	Y	Y	Y	Y	Y
10.	Has the company carried out independent audit/evaluation of the working of this policy by an internal or external agency?	Y	Y	Y	Y	Y	Y	Y	Y	Y

2 a. If answer to S. No. 1 against any principle, is 'No', please explain why: (Tick up to 2 options)

Sl. No.	Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9
1.	The company has not understood the Principles									
2.	The company is not at a stage where it finds itself in a position to formulate and implement the policies on specified principles									
3.	The company does not have financial or manpower resources available for the task									
4.	It is planned to be done within next 6 months									
5.	It is planned to be done within the next 1 year									
6.	Any other reason (please specify)									

P3 *	Sr No 3- In line with the general laws and regulations and sound ethical practices followed nationally, the Bank has adopted employee oriented policies covering areas such as employee benefits and sexual harassment at the workplace which endeavor to provide an environment of care, nurturing and opportunity to accomplish professional aspirations.									
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3. Governance related to BR

- Indicate the frequency with which the Board of Directors, Committee of the Board or CEO to assess the BR performance of the Company. Within 3 months, 3-6 months, Annually, More than 1 year
 - Annually
- Does the Company publish a BR or a Sustainability Report? What is the hyperlink for viewing this report? How frequently it is published?
 - The Bank has started publishing of Business Responsibility Report from FY 2017 onwards.

Section E: Principle-wise performance

Principle 1

- Does the policy relating to ethics, bribery and corruption cover only the company? Does it extend to the Group/Joint Ventures/Suppliers/Contractors/NGOs /Others?
 - Yes, the policy deals with Federal Bank, its suppliers, contractors and not extended to Group /JV/NGOs/Others
- How many stakeholder complaints have been received in the past financial year and what percentage was satisfactorily resolved by the management? If so, provide details thereof, in about 50 words or so.
 - We have received 2,00,249 customer complaints during the last FY 2019-20. We have resolved 99.99% of the customers' complaints during the FY 2019-20. We have received 7 investor complaints during FY 2019-20 and have redressed 100% of investor complaints during the FY 2019-20.

During the year 2019-20, we have received 3 complaints under PDS. All the complaints were investigated and report submitted to MD & CEO. Disciplinary action is taken against concerned employees in two cases and one complaint was found to be without any merit to resolve the issues involved.

Principle 2

- List up to 3 of your products or services whose design has incorporated social or environmental concerns, risks and/or opportunities.
 - Federal Bank provides sustainable banking products to cater to different classes of customers through an extensive network of branches, ATMs, cash recyclers, and through technologies like mobile banking and internet banking. Bank offers many customized products include educational loans, home loans, loans for asset purchases and a wide range of savings bank products.

Federal Bank Hormis Memorial Foundation focuses on the areas of elementary education, skill development, preventive healthcare, rural development and disaster relief.
- For each such product, provide the following details in respect of resource use (Energy, water, raw material etc.) per unit of product(optional):
 - Reduction during sourcing/production/ distribution achieved since the previous year throughout the value chain?
 - Not applicable for banking products
 - Reduction during usage by consumers (energy, water) has been achieved since the previous year?
 - Not applicable for banking products

3. Does the company have procedures in place for sustainable sourcing (including transportation)?
 - Not Applicable
4. Has the company taken any steps to procure goods and services from local & small producers, including communities surrounding their place of work?

If yes, what steps have been taken to improve their capacity and capability of local and small vendors?

 - Not applicable
5. Does the company have a mechanism to recycle products and waste? If yes what is the percentage of recycling of products and waste (separately as <5%, 5-10%, >10%). Also, provide details thereof, in about 50 words or so.
 - Not Applicable. Being a Banking service company, the Bank is not generating products and waste associated with a manufacturing concern.

Principle 3

1. Please indicate the Total number of employees.
 - The Bank had 12496 employees as on 31st March 2020
2. Please indicate the Total number of employees hired on temporary/contractual/casual basis.
 - The Bank had 221 employees as on 31st March 2020 on temporary basis.
3. Please indicate the Number of permanent women employees.
 - The Bank had 4405 permanent women employees as on 31st March 2020 (excluding Part time sweepers)
4. Please indicate the Number of permanent employees with disabilities
 - The Bank is an equal opportunity employer and treats all employees at par. Based on the income tax declarations which enable claiming income tax deduction for self-disability, the Bank had 20 such employees
5. Do you have an employee association that is recognized by management?
 - The Bank has an association for Officers (permitted members are Officers up to Scale III) and a Union for Award Staff (permitted members are Clerks & below), recognized by the management. Association for Officers is Federal Bank Officers' Association (FBOA) and Union for Award Staff is Federal Bank Employees' Union (FBEU).
6. What percentage of your permanent employees is members of this recognized employee association?
 - 70.84% of employees in Officer Cadre are members of Federal Bank Officers' Association (FBOA) and 93.1% of employees in Award Staff cadre are members of Federal Bank Employees' Union (FBEU).
7. Please indicate the Number of complaints relating to child labour, forced labour, involuntary labour, sexual harassment in the last financial year and pending, as on the end of the financial year.

S. No.	Category	No of complaints filed during the financial year	No of complaints pending as on end of the financial year
1.	Child labour/forced labour/involuntary labour	Nil	Nil
2.	Sexual harassment	5	1
3.	Discriminatory employment	Nil	Nil

8. What percentage of your under mentioned employees were given safety & skill up-gradation training in the last year?

Permanent Employees	89.10%
Permanent Women Employees	85.6%
Casual/Temporary/Contractual Employees	84.2 %
Employees with Disabilities	We have not conducted any specific trainings for this category of employees

Principle 4

1. Has the company mapped its internal and external stakeholders?
 - Yes
2. Out of the above, has the company identified the disadvantaged, vulnerable & marginalized stakeholders?
 - The Bank is guided by Reserve Bank of India (RBI) prescribed guidelines on priority sector lending, lending to small and marginal farmers, lending to weaker section etc., and government-led initiatives to improve access to financial services, insurance and pension cover for reaching out to disadvantaged, vulnerable and marginalized stakeholders.
3. Are there any special initiatives taken by the company to engage with the disadvantaged, vulnerable and marginalized stakeholders. If so, provide details thereof, in about 50 words or so.
 - The bank has also undertaken various other schemes for integrated and sustainable economic development by adopting the best practices in the industry. The Bank is also an active participant in various schemes and initiatives undertaken by the government. The Bank, directly, and along with Federal Bank Hormis Memorial Foundation has been working on several initiatives for promotion of inclusive growth. CSR department of the Bank in tune with the CSR policy has worked towards the advancement of the society by undertaking various measures. The CSR activities of the Bank have a vast footprint touching various diverse fields like Health, Education, Environment sustainability, Inclusive Development Policies to name a few.

Principle 5

1. Does the policy of the company on human rights cover only the company or extend the Group/Joint Ventures/Suppliers/Contractors/NGOs/Others?
 - Bank realize and respect the human rights of all its stakeholders and ensures through various policies or codes. The employees are required to follow code of ethics and business conduct, which also documents the ethical practices to be followed by them. Bank does not promote any kind of discrimination between its employees, customers and other stakeholders on the basis of race, caste, religion, sex etc. Bank follows the code issued by The Banking Codes and Standards Board of India, to ensure protection of customer's rights. There are separate mechanisms to address the grievances of employees/customers and also on the complaints of sexual harassment at workplace.
2. How many stakeholder complaints have been received in the past financial year and what percent was satisfactorily resolved by the management?
 - We have received 2,00,249 customer complaints during the last FY 2019-20. We have resolved 99.99% of the customers' complaints during the FY 2019-20. We have received 7 investor complaints during FY 2019-20 and have redressed 100% of investor complaints during the FY 2019-20.

During the year 2019-20, we have received 3 complaints under PDS. All the complaints were investigated and report submitted to MD & CEO. Disciplinary action is taken against concerned employees in two cases and one complaint was found to be without any merit to resolve the issues involved.

Principle 6

1. Does the policy related to Principle 6 cover only the company or extends to the Group/Joint Ventures/Suppliers/Contractors/NGOs/others.
 - The policy extends only to the Bank
2. Does the company have strategies/ initiatives to address global environmental issues such as climate change, global warming, etc? Y/N. If yes, please give hyperlink for webpage etc.
 - Yes, <https://www.federalbank.co.in/brr-initiatives-fy20>
3. Does the company identify and assess potential environmental risks? Y/N
 - Yes. The Bank assesses environmental and social impacts associated with large credit proposals as part of the appraisal process.
4. Does the company have any project related to Clean Development Mechanism? If so, provide details thereof, in about 50 words or so. Also, if Yes, whether any environmental compliance report is filed?
 - The Bank is not a manufacturing concern and does not generate waste or products or byproducts generally associated with manufacturing.
5. Has the company undertaken any other initiatives on – clean technology, energy efficiency, renewable energy, etc. Y/N. If yes, please give hyperlink for web page etc.
 - Not Applicable
6. Are the Emissions/Waste generated by the company within the permissible limits given by CPCB/SPCB for the financial year being

reported?

- Not Applicable

7. Number of show cause/ legal notices received from CPCB/SPCB which are pending (i.e. not resolved to satisfaction) as on end of Financial Year.

- Nil

Principle 7

1. Is your company a member of any trade and chamber or association? If Yes, Name only those major ones that your business deals with:

- Federal Bank has since long been associated with many trade and industry associations. The Bank has through these associations been able to understand the industry and develop schemes which would be beneficial to the organization in the long run. The members of our senior management participate in various committees/ working groups constituted by the Government of India and the Reserve Bank of India.

Federal Bank is a member of the following associations-

- Indian Banks Association
- Indian Institute of Banking and Finance
- Indo Australian Chamber of Commerce and Industry
- Kerala Management Association
- The Federation of Telangana and Andhra Pradesh Chambers of Commerce and Industry (FTAPCCI)
- Indian Chamber of Commerce & Industry, Cochin
- National Institute of Bank Management
- Confederation of Indian Industry and CII Indian Women Network
- Cochin Chamber of Commerce
- Madras Chamber of Commerce and Industry

2. Have you advocated/lobbied through above associations for the advancement or improvement of public good? Yes/No; if yes specify the broad areas (drop box: Governance and Administration, Economic Reforms, Inclusive Development Policies, Energy security, Water, Food Security, Sustainable Business Principles, Others)

- The Bank, through trade bodies and associations, puts forth a number of suggestions with respect to the economy in general and the banking sector in particular. The Bank has also undertaken various other schemes for integrated and sustainable economic development by adopting the best practices in the industry. The Bank is also an active participant in various schemes and initiatives undertaken by the government. The Bank, directly, and along with Federal Bank Hormis Memorial Foundation has been working on several initiatives for promotion of inclusive growth.

The CSR department of the Bank in tune with the CSR policy has worked towards the advancement of the society by undertaking various measures. The CSR activities of the Bank have a huge footprint touching various diverse fields like Health, Education, Skill Development, Environment sustainability, Inclusive Development Policies to name a few.

In the background of Phulwama Attack, as a mark of respect to our brave soldiers, Bank had announced donation of ₹1.00 per each transaction through our Retail Digital Channels done during the period from 01.03.2019 to 31.03.2019 to Army Welfare Fund.

In the field of Health, CSR department tied up with Sree Chithira Thirunal Institute of Medical Science & Technology and has set up a Comprehensive Center for Cognitive Rehabilitation of Children with Neuro disorders. We have provided support to various institutions, such as, Ambedkar Memorial District Cancer Centre, Manathavady, Wayanad for purchasing a brand new 125 KVA radiator cooled DG set, Little Flower Hospital, Angamaly for setting up a Modern Intensive Care Unit (ICU) . Mar Augustine Golden Jubilee Hospital (MAGJ Hospital), Mookkannur for installing Blood Component Separation Unit at their Blood Bank and support to Cancer Patients in Ernakulam General Hospital for meeting their expenses incurred for Chemo medicines.

In the sphere of education, the Bank has set up skill academies at Kochi, Coimbatore, Kolhapur and Karnal for Skill development for youth from economically backward sectors.

The Bank along with the Federal Bank Hormis Memorial Foundation is providing scholarships to the needy students for pursuing professional courses from the year 2005-06. From FY 2019-20, additional Scholarships added for the benefit of wards of martyred Armed Forces Personnel.

During the year 2019-20 the Federal Bank Hormis Memorial Foundation offered assistance to 113 meritorious students, 20 students from

each streams – Medicine, Engineering, BSc (Agri), MBA & 32 students from BSc Nursing, adding 12 more students to this category than the previous year.

The Bank has also undertaken various other schemes for integrated and sustainable economic development by adopting the best practices in the industry. Bank is also an active participant in various schemes and initiatives undertaken by the government.

Our Bank had embarked on a mission of digitization of Villages. This year we have started with Mankol Village in Gujarat, Venmony Village in Kerala, Gudha Village, in Haryana & Mardhala, in Mangalore, Karnataka. The process is already started in all the four villages. The digitization and village adoption programme in villages Mankol, Gudha and Venmony were nearing completion by March, but its culmination got delayed due to Covid 19 outbreak.

During August 2019, heavy southwest monsoon created enormous havoc in the different parts of our country, claiming lives, damaging houses and destroying crops. Gujarat, Kerala, Karnataka and Maharashtra were severely affected. In Kerala, Malappuram and Wayanad Districts, were the worst hit due to landslides and heavy rain. Maharashtra, was one of the worst affected states due to the incessant rains and nearly 4.48 lakh people were evacuated mostly from Kolhapur District. As a token of our support to the flood affected people, CSR department had sanctioned various relief measures like construction of 34 houses at Edakkara, Malappuram in Kerala for flood affected SC/ST families in land allotted by the Government.

Also floods that happened in August 2019 affected Kolhapur District of Maharashtra State, claiming lives, damaging houses and destroying crops. CSR department selected two villages-Bastwad, Rajapurwadi in Kolhapur District for various relief activities which includes construction of 80 houses, schools, providing milch cows and various relief activities. The above projects at Malappuram & Kolhapur are almost completed.

Support was extended to Paradip Municipality for repair, reconstruction and renovation of their Aahar Kendra, at Athabanki, Paradip, Orissa, which was destroyed in Fani Cyclone.

To build awareness amongst student fraternity to conserve the earth's natural resources, Federal Bank joined with Mathrubhumi in the SEED Programme since 2012. SEED (Student Empowerment for Environmental Development) is an initiative aimed at spreading the message of ecological conservation. Schools carry out simple but effective steps in environment protection like Planting & Protection of saplings, Agricultural Activities, Bio-diversity conservation, Energy Conservation, Conservation of Water bodies, Cleanliness & protection of public health, Reduce, Reuse and Recycle Plastic waste and intervention in local area environmental issues through SEED Police. Bank is supporting this noble cause for the past seven years.

As part of Swatch Bharat initiatives, we have provided support to Thiruverkadu Municipality for construction of 100 toilets for the houses in and around Thiruverkadu Municipality ; DRDA, Dharmapuri for renovation of traditional ponds and Tirunelveli Corporation for solid waste management.

Principle 8

1. Does the company have specified programmes/initiatives/projects in pursuit of the policy related to Principle 8? If yes details thereof.
 - The major initiative taken up is in the area of skill development through the Federal Skill academies set up at Kochi, Karnal, Kohlapur & Coimbatore for Skill development for youth from economically backward sectors. Through Federal Bank Hormis Memorial Foundation Scholarship, Bank is offering scholarships for 113 meritorious students from families deserving support.

The Bank also pursues initiatives in the area of disaster management and rural development, including efforts to improve financial inclusion and provide access to savings account, insurance and pension products.
2. Are the programmes/projects undertaken through in-house team/own foundation/external NGO/government structures/any other organization?
 - The projects/programmes are undertaken primarily through in-house teams and Federal Bank Hormis memorial Foundation, with the assistance of implementation partners as required.
3. Have you done any impact assessment of your initiative?
 - CSR department of the Bank is undertaking the impact assessment of the major initiatives. Feedback taken from the beneficiaries, implementation partners and the same is reviewed and correcting measures are taken whenever required.
4. What is your company's direct contribution to community development projects- Amount in INR and the details of the projects undertaken
 - The Bank had spent Rs.42.40 Cr in FY 2019-20 on corporate social responsibility related activities. The expenditure has been undertaken primarily on skill development, disaster relief, sustainable livelihoods, education, healthcare and rural development related activities like financial inclusion and financial literacy and digitization of adopted village.

5. Have you taken steps to ensure that this community development initiative is successfully adopted by the community? Please explain in 50 words, or so.
- The projects undertaken by Federal Bank Hormis Memorial Foundation are designed to the needs of the target group. The foundation had taken many initiatives in community development such as Village adoption & Digitization of villages, providing housing and sanitation etc.

Principle 9

1. What percentage of customer complaints/consumer cases are pending as on the end of financial year.
- We have resolved 99.99% of the customers' complaints during the fiscal 2020. We have a pending of 0.01% of complaints.
2. Does the company display product information on the product label, over and above what is mandated as per local laws? Yes/No/N.A. /Remarks (additional information)
- NA
3. Is there any case filed by any stakeholder against the company regarding unfair trade practices, irresponsible advertising and/or anti-competitive behaviour during the last five years and pending as on end of financial year? If so, provide details thereof, in about 50 words or so.
- No
4. Did your company carry out any consumer survey/ consumer satisfaction trends?
- We had carried out a customer survey during the financial year 2019-20 too. This time the benchmark was Net Promoter Score. The feedback received from customers through the surveys forms a key input to our ongoing process improvements thus bringing a delightful experience for our customers.

STAY CONTACTLESS

Contactless Payments have suddenly acquired a new momentum in the wake of the Pandemic. And clearly Contactless is going to gain more traction in the future. Recognising the importance of Contactless Payment Federal Bank has introduced a series of Contactless Debit Cards. Federal Bank's Contactless Cards have emerged as the FIRST CHOICE of customers thanks to the speed, safety and ease of use. But this is just the beginning. The Bank is committed to explore new frontiers in Contactless technology with exciting new products and services.



INDEPENDENT AUDITORS' REPORT

**TO THE MEMBERS OF
THE FEDERAL BANK LIMITED**

Report on the Audit of the Standalone Financial Statements

Opinion

We have audited the accompanying standalone financial statements of The Federal Bank Limited (the 'Bank'), which comprise the standalone balance sheet as at 31 March 2020, the standalone profit and loss account, the standalone cash flow statement for the year then ended, and notes to the standalone financial statements, including a summary of the significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Banking Regulation Act, 1949 as well as the Companies Act, 2013 (the 'Act') in the manner so required for banking companies and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Bank as at 31 March 2020, and its profit, and its cash flows for the year ended on that date.

Basis of Opinion

We conducted our audit in accordance with the Standards on Auditing ('SAs') specified under Section 143 (10) of the Act. Our responsibilities under those SAs are further described in the Auditor's Responsibilities for the Audit of the Standalone Financial Statements section of our report. We are independent of the Bank in accordance with the Code of Ethics issued by the Institute of Chartered

Accountants of India together with the ethical requirements that are relevant to our audit of the standalone financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained, is sufficient and appropriate to provide a basis for our opinion on the standalone financial statements.

Emphasis of matter

As more fully described in Note 1.4.6.(B)-7 to the standalone financial statements, the extent to which the COVID-19 pandemic will have an impact on the Bank's financial performance is dependent on future developments, which are highly uncertain.

Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone financial statements of the current period. These matters were addressed in the context of our audit of the standalone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Description of Key Audit Matters

Identification of Non-Performing Assets ('NPAs') and Provision on Advances
Gross NPA: INR 3,530.83 crore for year ended 31 March 2020
Charge (including write-off): INR 1,010.47 crore for year ended 31 March 2020
NPA Provision: INR 1,885.27 crore as at 31 March 2020

Refer to the accounting policies in the "Standalone Financial Statements: Significant Accounting Policies- Use of estimates and Advances and Note 1.4 and Note 3.1 of Schedule 18 to the Standalone Financial Statements: Advances"

The key audit matter	How the matter was addressed in our audit
<p>Significant estimate and judgment involved</p> <p>Identification of NPAs is made based on the assessment of various criteria stipulated in the Reserve Bank of India ('RBI') guidelines with regard to the 'Prudential Norms on Income Recognition, Asset Classification and Provisioning' ('RBI Guidelines'). NPA classification is made borrower wise whereby if one facility to the borrower becomes an NPA then all facilities to such a borrower will be treated as an NPA.</p> <p>Provisions in respect of such NPAs and restructured advances are made based on management's assessment of the degree of impairment of the advances subject to and guided by the minimum provisioning levels prescribed under RBI guidelines, prescribed from time to time. The provision on NPAs are also based on the valuation of the security available. In case of restructured accounts, provision is made in accordance with the RBI guidelines.</p>	<p>Our key audit procedures included:</p> <p>Design / controls</p> <ul style="list-style-type: none"> Assessing the design, implementation and operating effectiveness of key internal controls over approval, recording and monitoring of loans, appointment/empanelment of valuers, monitoring process of overdue loans (including those which became overdue subsequent to the reporting date), measurement of NPA provision, identification of NPA accounts and assessing the reliability of management information, which included overdue reports. Also, assessing how management has factored in the deterioration in the overall economic environment arising from COVID-19 in its NPA assessment. Understanding management's approach, interpretation, systems and controls implemented in relation to NPA computation, particularly in light of the COVID-19 regulatory package.

The key audit matter	How the matter was addressed in our audit
<p>We identified NPA identification and provision on loans and advances as a key audit matter because of the significant efforts involved by the management in identifying NPAs based on the RBI Guidelines, the level of management judgement involved in determining the provision (including the provisions on assets which are not classified as NPAs), the valuation of security of the NPAs and on account of the significance of these estimates to the financial statements of the Bank.</p> <p>On 11 March 2020, the World Health Organization declared the Novel Coronavirus (COVID-19) outbreak to be a pandemic.</p> <p>We have identified the impact of, and uncertainty related to the COVID-19 pandemic as a key event and consideration for recognition and measurement of NPAs on account of:</p> <ul style="list-style-type: none"> • Short- and long-term macroeconomic effect on businesses in the country and globally and its consequential first order and cascading negative impact on revenue and employment generation opportunities; • impact of the pandemic on the Bank’s customers and their ability to repay dues; and • application of regulatory package and relaxations announced by the Reserve Bank of India (RBI) on asset classification, regulatory reporting and provisioning. <p>Management has conducted an assessment of the loan portfolio which may be impacted on account of COVID-19 with respect to moratorium benefit and provision computation to borrowers prescribed by the RBI and also considered qualitative factors to evaluate the need of recording contingency provision on the identified pool of loans at 31 March 2020.</p>	<ul style="list-style-type: none"> • For corporate loans we tested controls over the internal ratings process, monitoring of stressed accounts including credit file review processes and review controls over the approval of significant individual impairment provisions. • Evaluated the design, implementation and operating effectiveness of key internal controls over the valuation of the securities for NPAs and the Special Mention Accounts (‘SMA’). • Testing of management review controls over credit impairment indicators. • Involved our information systems specialist in the audit of this area to obtain evidence and get assurance over data integrity and calculations, including system reconciliations. <p>Substantive tests</p> <ul style="list-style-type: none"> • Test of details for a selection of exposures over calculation of NPA provisions including valuation of collaterals for NPAs as at 31 March 2020; provisioning determined by the Bank and also testing related disclosures by assessing the completeness, accuracy and relevance of data and to ensure that the same is in compliance with the RBI guidelines with regard to the Prudential Norms on Income Recognition, Asset Classification and Provisioning. • Further for the accounts which meet the criteria for asset classification benefit in accordance with the Reserve Bank of India COVID-19 Regulatory Package, as per days past due status at 29 February 2020, testing calculation of provisions in line with the prescribed percentage. • We selected samples (based on quantitative and qualitative thresholds) of large corporates where impairment indicators had been identified by management. We obtained management’s assessment of the recoverability of these exposures (including individual provisions calculations) and challenged whether individual provisions, or lack of, were appropriate. • This included the following procedures: <ul style="list-style-type: none"> – Reviewing the statement of accounts, approval process, board and credit committees minutes, credit review of customer, review of Special Mention Accounts (‘SMA’) reports and other related documents to assess recoverability and the classification of the facility; – Assessed external collateral valuer’s credentials and comparing external valuations to values used in management’s assessments; and – For a selection of corporate loans not identified as displaying indicators of deterioration by management, challenged this assessment by reviewing the historical performance of the customer and assessed whether any impairment indicators were present. • Evaluating management rationale for the creation of additional provision contingency / general provision/ on identified pool of loans reflecting impact of COVID-19. • Assessing the factual accuracy and appropriateness of the additional financial statements disclosures made by the Bank regarding impact of COVID-19.

The key audit matter	How the matter was addressed in our audit
<p>Valuation of Financial Instruments (Investments) Gross value of investments : INR 36,335.94 crore as at 31 March 2020 Mark to market: INR 443.26 crore as at 31 March 2020 Net value of investments : INR 35,892.68 crore as at 31 March 2020</p>	
<p><i>Refer to the accounting policies in "Schedule 17 to the Financial Statements: Significant Accounting Policies- Investments" and "Schedule 8 to the Financial Statements: Investments"</i></p>	
<p>Significant estimate and judgment involved</p> <p>Investments</p> <p>Investments are classified into 'Held for Trading' ('HFT'), 'Available for Sale' ('AFS') and 'Held to Maturity' ('HTM') categories at the time of purchase. Investments, which the Bank intends to hold till maturity are classified as HTM investments.</p> <p>Investments classified as HTM are carried at amortised cost. Where in the opinion of management, a diminution, other than temporary, in the value of investments has taken place, appropriate provisions are made.</p> <p>Investments classified as AFS and HFT are marked- to-market on a periodic basis as per the relevant RBI guidelines.</p> <p>We identified valuation of investments as a key audit matter because of the management judgement involved in determining the value of certain investments (Bonds and Debentures, Pass through certificates) based on the policy and model developed by the Bank, impairment assessment for HTM book and the overall significance to the financial results of the Bank.</p>	<p>Our key audit procedures included:</p> <p>Design / controls</p> <p>We tested the design, implementation and operating effectiveness of management's key internal controls over the valuation process and independent price verification, including the Bank's review and approval of the estimates and assumptions used for the valuation including key authorization and data input controls;</p> <p>We assessed appropriateness of the valuation methodologies with reference to RBI guidelines and Bank's own valuation policy;</p> <p>Read investment agreements / term sheets entered into during the current year, on a sample basis, to understand the relevant investment terms and identify any conditions that were relevant to the valuation of financial instruments.</p> <p>We tested the controls operated at the Bank for ensuring completeness of the investments.</p> <p>Substantive tests</p> <p>We verified the list of investments from eKuber for SLR securities and DP statements for Non-SLR securities.</p> <p>We independently verified the fair valuation of investments on a sample basis with direct observable inputs and external input data such as market value from 'Financial Benchmarks India Private Limited ('FBIL')', spreads from 'The Fixed Income Money Market and Derivatives Association of India ('FIMMDA')' etc after considering the requirements of RBI guidelines.</p> <p>We assessed that the financial statement disclosures appropriately reflected the Bank's exposure to investments valuation risks with reference to the requirements of the prevailing accounting standards and the RBI guidelines.</p>
<p>Information technology ('IT') systems</p>	
<p>IT systems and automated controls</p> <p>The Bank's key financial accounting and reporting processes are highly dependent on information systems including automated controls in systems, such that there exists a risk that gaps in the IT control environment could result in the financial accounting and reporting records being materially misstated. The Bank uses several systems for its overall financial reporting.</p> <p>In addition, large transaction volumes and the increasing challenges to protect the integrity of the Bank's systems and data, cyber security has become a more significant risk in recent periods.</p> <p>Further, the prevailing COVID-19 situation, has caused the required IT applications to be made accessible on a remote basis.</p>	<p>Our key IT audit procedures included:</p> <ul style="list-style-type: none"> • We focused on user access management, change management, segregation of duties, system reconciliation controls and system application controls over key financial accounting and reporting systems. • We tested a selection of key controls operating over the information technology in relation to financial accounting and reporting systems, including system access and system change management, program development and computer operations. • We tested the design and operating effectiveness of key controls over user access management which includes granting access right, new user creation, removal of user rights and preventative controls designed to enforce segregation of duties.

The key audit matter	How the matter was addressed in our audit
<p>We have identified 'IT systems and automated controls' as key audit matter because of the high level automation, significant number of systems being used by the management and the complexity of the IT architecture.</p>	<ul style="list-style-type: none"> • For a selected group of key controls over financial and reporting system, we have performed procedures to determine that these controls remained unchanged during the year or were changed following the standard change management process. • We have also assessed other areas which includes password policies, security configurations, system interface controls, controls over changes to applications and databases and that business users, developers and production support did not have access to change applications, the operating system or databases in the production environment. • Security configuration review and related tests on certain critical aspects of cyber security on network security management mechanism, operational security of key information infrastructure, data and client information management, monitoring and emergency management. • Assessment of data security controls in the context of a large population of staff working from remote location at the year end.

Information other than the standalone financial statements and Auditor's Report thereon

The Bank's management and Board of Directors are responsible for the other information. The other information comprises the information included in the Bank's Annual report, but does not include the standalone financial statements and our auditor's report thereon. The Bank's Annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the standalone financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the standalone financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the standalone financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the Bank's Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Management's and Board of Director's Responsibility for the Standalone Financial Statements

The Bank's management and Board of Directors are responsible for the matters stated in Section 134(5) of the Act with respect to the preparation of these standalone financial statements that give a true and fair view of the state of affairs, profit and cash flows of the Bank in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section

133 of the Act, provisions of Section 29 of the Banking Regulation Act, 1949 and the circulars and guidelines issued by Reserve Bank of India ('RBI') from time to time. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act, for safeguarding of the assets of the Bank and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

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

The Board of Directors is also responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Standalone Financial Statements

Our objectives are to obtain reasonable assurance about whether the standalone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's

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

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

- identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Bank has adequate internal financial controls with reference to standalone financial statements in place and the operating effectiveness of such controls.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures in the standalone financial statements made by the Management and Board of Directors.
- conclude on the appropriateness of the Management and Board of Directors use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the standalone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a Bank to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies

in internal control that we identify during our audit.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the standalone financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

The standalone balance sheet and the standalone profit and loss account have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 and Section 133 of the Act.

- A. As required by sub-section (3) of Section 30 of the Banking Regulation Act, 1949, we report that:
 - (a) we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit and have found them to be satisfactory;
 - (b) the transactions of the Bank, which have come to our notice, have been within the powers of the Bank; and
 - (c) since the key operations of the Bank are automated with the key applications integrated to the core banking systems, the audit is carried out centrally as all the necessary records and data required for the purposes of our audit are available therein. However, during the course of our audit we have visited 80 branches. Returns from 1,219 branches were received duly audited by other auditors and were found adequate for the purpose of our audit.
- B. Further, as required by Section 143(3) of the Act, we report that:
 - (a) we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (b) in our opinion, proper books of account as required by law have been kept by the Bank so far as it appears from our examination of those books;
 - (c) The reports on the accounts of 1,219 branches of the Bank audited by branch auditors under Section 143(8) of the Act have been forwarded to us and have been properly dealt with by us in preparing this report

- (d) the standalone balance sheet, the standalone profit and loss account, and the standalone cash flow statement dealt with by this Report are in agreement with the books of account;
- (e) in our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, to the extent they are not inconsistent with the accounting policies prescribed by RBI;
- (f) on the basis of the written representations received from the directors as on 31 March 2020 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2020 from being appointed as a director in terms of Section 164 (2) of the Act; and
- (g) with respect to the adequacy of the internal financial controls with reference to standalone financial statements of the Bank and the operating effectiveness of such controls, refer to our separate Report in 'Annexure A'.
- C. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
- i. the Bank has disclosed the impact of pending litigations as at 31 March 2020 on its financial position in its standalone financial statements – Refer Schedule 12 and Note 4.7 of schedule 18 to the standalone financial statements;
 - ii. the Bank has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts – Refer Note 4.12 to the standalone financial statements; and
- iii. there has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Bank.
 - iv. The disclosures required on holdings as well as dealing in Specified bank notes during the period from 8 November 2016 to 30 December 2016 as envisaged in notification G.S.R. 308(E) dated 30 March 2017 issued by the Ministry of Corporate Affairs is not applicable to the Bank.
- D. With respect to the matter to be included in the Auditors' Report under section 197(16) of the Act:
- The Bank is a banking company as defined under Banking Regulation Act, 1949. Accordingly, the requirements prescribed under Section 197 of the Companies Act, 2013 do not apply.

For B S R & Co. LLP
Chartered Accountants
Firm's Registration No:
101248W / W-100022

Akeel Master
Partner
Membership No: 046768
ICAI UDIN: 20046768AAAAIL7772

Mumbai
28 May, 2020

For M.M. Nissim & Co.
Chartered Accountants
Firm's Registration No:
107122W

Varun P Kothari
Partner
Membership No: 115089
ICAI UDIN: 20115089AAAAIM3669

Mumbai
28 May, 2020

ANNEXURE A TO THE INDEPENDENT AUDITORS' REPORT ON THE STANDALONE FINANCIAL STATEMENTS OF THE FEDERAL BANK LIMITED FOR THE YEAR ENDED 31 MARCH 2020.

Report on the internal financial controls with reference to the aforesaid standalone financial statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013

(Referred to in paragraph (B)(g) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

Opinion

We have audited the internal financial controls with reference to financial statements of The Federal Bank Limited ("the Bank") as of 31 March 2020 in conjunction with our audit of the standalone financial statements of the Bank for the year ended on that date.

In our opinion, the Bank has, in all material respects, adequate internal financial controls with reference to financial statements and such internal financial controls were operating effectively as at 31 March 2020, based on the internal financial controls with reference to financial statements criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (the "Guidance Note").

Management's Responsibility for Internal Financial Controls

The Bank's management and the Board of Directors are responsible for establishing and maintaining internal financial controls based on the internal financial controls with reference to financial statements criteria established by the Bank considering the essential components of internal control stated in the Guidance Note. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Bank's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013 (hereinafter referred to as "the Act").

Auditors' Responsibility

Our responsibility is to express an opinion on the Bank's internal

financial controls with reference to financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls with reference to financial statements. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to financial statements were established and maintained and whether such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements included obtaining an understanding of such internal financial controls, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the standalone financial statements, whether due to fraud or error.

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

Meaning of Internal Financial controls with Reference to Financial Statements

A Bank's internal financial controls with reference to financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A Bank's internal financial controls with reference to financial statements include those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Bank; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Bank are being made only in accordance with authorisations of management and directors of the Bank; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised

acquisition, use, or disposition of the Bank's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial controls with Reference to Financial Statements

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

For B S R & Co. LLP

Chartered Accountants
Firm's Registration No:
101248W / W-100022

Akeel Master

Partner
Membership No: 046768
ICAI UDIN: 20046768AAAAIL7772

Mumbai
28 May, 2020

For M.M. Nissim & Co.

Chartered Accountants
Firm's Registration No:
107122W

Varun P Kothari

Partner
Membership No: 115089
ICAI UDIN: 20115089AAAAIM3669

Mumbai
28 May, 2020

THE FEDERAL BANK LIMITED
BALANCE SHEET AS AT MARCH 31, 2020

हजार रुपयों में

(₹ in Thousands)

पूँजी और ऋण		Schedule अनुसूची	As at March 31, 2020	As at March 31, 2019
	CAPITAL AND LIABILITIES			
पूँजी	Capital	1	3,985,325	3,970,096
आरक्षित निधियु और अधिशेष	Reserves and surplus	2	141,190,757	128,760,322
जमा राशियाँ	Deposits	3	1,522,900,849	1,349,543,444
उधार ली गयी राशियाँ	Borrowings	4	103,724,263	77,813,235
अन्य देयताएं एवं प्रावधान	Other Liabilities and provisions	5	34,579,275	33,312,850
कुल	TOTAL		1,806,380,469	1,593,399,947
	ASSETS			
भारतीय रिजर्व बैंक के पास नकदी और शेष रकम	Cash and balances with Reserve Bank of India	6	61,749,085	64,191,682
बैंकों के पास शेष रकम तथा मांग एवं अल्प सूचना पर प्रतिदेय राशि	Balances with banks and money at call and short notice	7	63,996,728	36,476,331
निवेश	Investments	8	358,926,789	318,244,727
अग्रिम	Advances	9	1,222,679,148	1,102,229,537
अचल आस्तियाँ	Fixed assets	10	4,799,853	4,720,411
अन्य आस्तियाँ	Other assets	11	94,228,866	67,537,259
कुल	TOTAL		1,806,380,469	1,593,399,947
आकस्मिक देयताएं	Contingent liabilities	12	344,600,704	293,446,760
वसूली के लिए बिल	Bills for collection		37,676,464	35,428,061
उल्लेखनीय लेखा नीतियाँ	Significant accounting policies	17		
लेखों पर टिप्पणियाँ	Notes on accounts	18		
उत्तर दशमि गयी अनुसूचियाँ तुलन-पत्र का अभिन्न भाग हैं	Schedules referred to above form an integral part of the Balance Sheet			

For and on behalf of the Board of Directors

 Krishnakumar K
Senior Vice President

 Samir P Rajdev
Company Secretary

 Ashutosh Khajuria
Executive Director & CFO
(DIN:05154975)

 Shalini Warriar
Executive Director
(DIN: 08257526)

 Grace Elizabeth Koshie
Chairperson
(DIN: 06765216)

 Shyam Srinivasan
Managing Director & CEO
(DIN:02274773)

As per our report of even date

Directors:
For B S R & Co. LLP
Chartered Accountants
Firm's Reg.No: 101248W/W-100022

For M. M. Nissim & Co.
Chartered Accountants
Firm's Registration No: 107122W

 Shubhalakshmi Panse (DIN : 02599310)
C Balagopal (DIN : 00430938)
A P Hota (DIN : 02593219)
K Balakrishnan (DIN : 00034031)
Siddhartha Sengupta (DIN : 08467648)
Manoj Fadnis (DIN : 01087055)
Sudarshan Sen (DIN : 03570051)

 Akeel Master
Partner
Membership No.046768
Place: Mumbai

 Varun P. Kothari
Partner
Membership No. 115089
Place: Mumbai

 Place: Kochi
Date : May 28, 2020

THE FEDERAL BANK LIMITED
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2020

 हजार रुपयों में
(₹ in Thousands)

31 मार्च 2020 समाप्त वर्ष के लिए लाभ हानि लेख		Schedule अनुसूची	Year ended March 31, 2020	Year ended March 31, 2019
I. आय	I. INCOME			
अर्जित ब्याज	Interest earned	13	132,107,534	114,190,245
अन्य आय	Other income	14	19,314,075	13,510,240
कुल	TOTAL		151,421,609	127,700,485
II. व्यय	II. EXPENDITURE			
खर्च किया गया ब्याज	Interest expended	15	85,618,494	72,426,796
परिचालन व्यय	Operating expenses	16	33,756,132	27,642,669
प्रावधान और आकरिमक व्यय	Provisions and contingencies		16,619,172	15,192,137
कुल	TOTAL		135,993,798	115,261,602
III. लाभ/हानि	III. PROFIT/LOSS			
अवधि का निवल लाभ	Net profit for the year		15,427,811	12,438,883
पिछले वर्ष के अग्रनीत लाभ	Profit brought forward from Previous Year		21,742,841	17,424,864
			37,170,652	29,863,747
IV. विनियोजन	IV. APPROPRIATIONS			
राजस्व आरक्षितियों को अंतरण	Transfer to Revenue Reserve		1,474,611	1,439,300
सांविधिक आरक्षितियों को अंतरण	Transfer to Statutory Reserve		3,856,953	3,109,700
पूँजीगत आरक्षितियों को अंतरण	Transfer to Capital Reserve		1,358,289	344,800
विशेष आरक्षितियों को अंतरण	Transfer to Special Reserve		960,000	840,000
वर्ष के दौरान प्रदत्त पिछले वर्ष से संबंधित लाभांश (अनुसूचि 18 में से नोट 4.2 E संदर्भ लें)	Dividend pertaining to previous year paid during the year (Note 4.2 E of Schedule 18)		2,782,229	1,980,092
लाभांश पर कर (अनुसूचि 18 में से नोट 4.2 E संदर्भ लें)	Tax on dividend (Note 4.2 E of Schedule 18)		571,895	407,014
अतिशेष जो आगे तुलन पत्र में ले जाया गया है	Balance carried over to Balance Sheet		26,166,675	21,742,841
कुल	TOTAL		37,170,652	29,863,747
प्रति शेयर आय (₹) (अंकित मूल्य ₹ 2/- प्रत्येक) अनुसूचि 18 में से नोट 4.1 संदर्भ लें)	Earnings per share (Face value of ₹ 2/- each) (₹) (Note 4.1 of Schedule 18)			
बुनियादी	Basic		7.76	6.28
तनुकृत	Diluted		7.70	6.24
महत्वपूर्ण लेखांकन नीतियाँ	Significant accounting policies	17		
लेखा संबन्धी टिप्पणियाँ	Notes on accounts	18		
ऊपर संदर्भित अनुसूचियाँ लाभ और हानि खाते का एक अभिन्न अंग हैं	Schedules referred to above form an integral part of the Profit and Loss account			

 Krishnakumar K
Senior Vice President

 Samir P Rajdev
Company Secretary

For and on behalf of the Board of Directors

 Ashutosh Khajuria
Executive Director & CFO
(DIN:05154975)

 Shalini Warriar
Executive Director
(DIN:08257526)

 Grace Elizabeth Koshie
Chairperson
(DIN:06765216)

 Shyam Srinivasan
Managing Director & CEO
(DIN:02274773)

As per our report of even date

For B S R & Co. LLP
Chartered Accountants
Firm's Reg.No: 101248W/W-100022

For M. M. Nissim & Co
Chartered Accountants
Firm's Registration No: 107122W

Directors:

 Shubhalakshmi Panse (DIN : 02599310)
C Balagopal (DIN : 00430938)
A P Hota (DIN : 02593219)
K Balakrishnan (DIN : 00034031)
Siddhartha Sengupta (DIN : 08467648)
Manoj Fadnis (DIN : 01087055)
Sudarshan Sen (DIN : 03570051)

 Akeel Master
Partner
Membership No.046768
Place: Mumbai

 Varun P. Kothari
Partner
Membership No. 115089
Place: Mumbai

 Place: Kochi
Date : May 28, 2020

THE FEDERAL BANK LIMITED
CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2020

(₹ in Thousands)

	Year ended March 31, 2020	Year ended March 31, 2019
Cash Flow from Operating Activities		
Net Profit before taxes	20,325,311	19,072,483
Adjustments for:		
Depreciation on Bank's Property	1,194,574	1,203,754
Depreciation on Investments	631,899	1,029,281
Amortisation of Premium on Held to Maturity Investments	740,116	528,891
Provision for Non Performing Investments	53,733	202,800
Provision / Charge for Non Performing Assets	10,104,711	6,305,490
Provision for Standard Assets	990,800	978,600
(Profit)/Loss on sale of fixed assets (net)	(53,538)	(181,892)
Provision for Restructured assets	(103,017)	-
Provision for Other Contingencies	43,546	42,365
	33,928,135	29,181,772
Adjustments for working capital changes:-		
(Increase)/ Decrease in Investments [excluding Held to Maturity Investments]	3,363,545	20,378,850
(Increase)/ Decrease in Advances	(130,554,322)	(188,960,295)
(Increase)/ Decrease in Other Assets	(25,712,129)	(7,032,270)
Increase/ (Decrease) in Deposits	173,357,405	229,618,578
Increase/ (Decrease) in Other liabilities and provisions	1,221,597	5,516,593
	21,676,096	59,521,456
Direct taxes paid	(6,763,477)	(6,994,357)
Net Cash Flow from / (Used in) Operating Activities	48,840,754	81,708,871
Cash Flow from Investing Activities		
Purchase of Fixed Assets	(1,304,656)	(1,383,621)
Proceeds from Sale of Fixed Assets	84,178	215,049
Investment in Subsidiaries	(642,000)	(50,000)
Investment in Associate	(6,661)	(68,490)
(Increase)/ Decrease in Held to Maturity Investments	(44,822,695)	(32,455,312)
Net Cash generated / (Used in) Investing Activities	(46,691,834)	(33,742,374)

THE FEDERAL BANK LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2020 (CONTD...)

(₹ in Thousands)

	Year ended March 31, 2020	Year ended March 31, 2019
Cash Flow from Financing Activities		
Proceeds from Issue of Share Capital	15,229	25,811
Proceeds from Share Premium	313,052	527,938
Proceeds from Issue of Subordinate Debt	3,000,000	-
Increase/(Decrease) in Borrowings (Excluding Subordinate Debt)	22,911,027	(37,521,757)
Dividend Paid (Including Tax on Dividend)	(3,354,125)	(2,387,105)
Net Cash generated from Financing Activities	22,885,183	(39,355,113)
Effect of exchange fluctuation on translation reserve	43,697	22,542
Net Increase in Cash and Cash Equivalents	25,077,800	8,633,926
Cash and Cash Equivalents at the beginning of year	100,668,013	92,034,087
Cash and Cash Equivalents at the end of year	125,745,813	100,668,013

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

Krishnakumar K
Senior Vice President

Samir P Rajdev
Company Secretary

For and on behalf of the Board of Directors

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Executive Director & CFO
(DIN:05154975)

Shalini Warriar
Executive Director
(DIN: 08257526)

Grace Elizabeth Koshie
Chairperson
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Managing Director & CEO
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Akeel Master
Partner
Membership No.046768
Place: Mumbai

Varun P. Kothari
Partner
Membership No. 115089
Place: Mumbai

Place: Kochi
Date : May 28, 2020

THE FEDERAL BANK LIMITED
SCHEDULES FORMING PART OF THE BALANCE SHEET

(₹ in Thousands)

	As at March 31, 2020	As at March 31, 2019
SCHEDULE 1 - CAPITAL		
Authorised Capital	5,000,000	5,000,000
2,500,000,000 (Previous year 2,500,000,000) Equity Shares of ₹ 2/- each		
Issued Capital	3,988,015	3,972,789
1,994,007,367 (Previous year 1,986,394,498) Equity Shares of ₹ 2/-each		
Subscribed, Called-up and Paid-up Capital	3,985,329	3,970,100
1,992,664,572 (Previous year 1,985,050,203) Equity Shares of ₹2/-each		
Less: Calls in arrears	4	4
Total	3,985,325	3,970,096

Refer Note 4.2 of Schedule 18

THE FEDERAL BANK LIMITED

SCHEDULES FORMING PART OF THE BALANCE SHEET (CONTD...)

(₹ in Thousands)

	As at March 31, 2020	As at March 31, 2019
SCHEDULE 2 - RESERVES AND SURPLUS		
I. Statutory Reserve		
Opening balance	25,977,029	22,867,329
Additions during the year	3,856,953	3,109,700
	29,833,982	25,977,029
II. Capital Reserves		
a) Revaluation Reserve		
Opening balance	50,091	50,091
Additions during the year	-	-
	50,091	50,091
b) Others		
Opening balance	3,687,716	3,342,916
Additions during the year*	1,358,289	344,800
	5,046,005	3,687,716
Subtotal	5,096,096	3,737,807
III. Share premium (Refer Note 4.2 of Schedule 18)		
Opening balance	51,308,871	50,780,933
Additions during the year	313,051	527,938
	51,621,922	51,308,871
IV. Revenue and Other Reserves		
a) Revenue Reserve		
Opening Balance	18,695,880	17,256,580
Additions during the year	1,474,611	1,439,300
Deductions during the year	-	-
	20,170,491	18,695,880
b) Investment Fluctuation Reserve (Refer Note 1.2.2 (d) of Schedule 18)		
Opening Balance	1,897,200	1,897,200
	1,897,200	1,897,200
c) Special Reserve (As per section 36(1)(viii) of Income Tax Act)		
Opening balance	5,079,900	4,239,900
Additions during the year	960,000	840,000
	6,039,900	5,079,900
V. Foreign Currency Translation Reserve		
Opening Balance	19,791	(2,751)
Additions/ (deductions) during the year [Refer Schedule 17 (4.5)]	43,697	22,542
	63,488	19,791

THE FEDERAL BANK LIMITED
SCHEDULES FORMING PART OF THE BALANCE SHEET (CONTD...)

(₹ in Thousands)

	As at March 31, 2020	As at March 31, 2019
VI. Contingency Reserve		
Opening Balance	301,003	301,003
	301,003	301,003
VII. Balance in Profit and Loss Account	26,166,675	21,742,841
Total	141,190,757	128,760,322
* - Includes Profit appropriated to Capital Reserve (net of applicable taxes and transfer to statutory reserve) on :		
a) Gain on sale of Held to Maturity Investments ₹ 1,336,850 Thousands (Previous year ₹ 260,221 Thousands)		
b) Profit on sale of Premises ₹ 21,439 Thousands (Previous year ₹ 84,579 Thousands)		
SCHEDULE 3 - DEPOSITS		
A. I. Demand Deposits		
i. From Banks	2,201,459	4,800,620
ii. From Others	80,196,806	82,727,446
	82,398,265	87,528,066
II. Savings Bank Deposits	385,344,370	349,785,547
III. Term Deposits		
i. From Banks	31,507,478	19,060,109
ii. From Others	1,023,650,736	893,169,722
	1,055,158,214	912,229,831
Total	1,522,900,849	1,349,543,444
B. I. Deposits of branches in India	1,522,024,966	1,348,768,908
II. Deposits of branches outside India	875,883	774,536
Total	1,522,900,849	1,349,543,444
SCHEDULE 4 - BORROWINGS		
I. Borrowings in India		
i. Reserve Bank of India	19,880,000	5,000,000
ii. Other Banks	1,162,000	5,100,000
iii. Other institutions and agencies	56,947,272	44,182,225
Total	77,989,272	54,282,225
II. Borrowings outside India	25,734,991	23,531,010
Total	103,724,263	77,813,235
Secured borrowings included in I and II above	77,919,272	49,182,371
SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS		
I. Bills Payable	1,803,851	4,067,915
II. Inter - office adjustments (Net)	-	5,405
III. Interest accrued	3,041,262	3,140,323
IV. Others (including provisions)*	29,734,162	26,099,207
Total	34,579,275	33,312,850
*Includes		
(a) General provision for standard assets (Refer Note 1.4.9 of Schedule 18)	6,261,103	5,270,303
(b) Deferred Tax Liability (Net)	111,457	997,957

THE FEDERAL BANK LIMITED

SCHEDULES FORMING PART OF THE BALANCE SHEET (CONTD...)

(₹ in Thousands)

	As at March 31, 2020	As at March 31, 2019
SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA		
I. Cash in hand (including foreign currency notes)	13,736,894	7,002,297
II. Balance with Reserve Bank of India		
i. in Current Accounts	48,012,191	57,189,385
ii. in Other Accounts	-	-
Total	61,749,085	64,191,682
SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE		
I. In India		
i. Balances with banks		
a. in Current Accounts	8,155,949	1,875,523
b. in Other Deposit Accounts	650,000	-
ii. Money at call and short notice		
a. With Banks	2,750,000	-
b. With other institutions	38,000,000	21,400,558
Total	49,555,949	23,276,081
II. Outside India		
i. in Current Accounts	5,704,165	3,922,812
ii. in Other Deposit Accounts	7,374,644	8,240,113
iii. Money at call and short notice	1,361,970	1,037,325
Total	14,440,779	13,200,250
Grand Total (I and II)	63,996,728	36,476,331

THE FEDERAL BANK LIMITED
SCHEDULES FORMING PART OF THE BALANCE SHEET (CONTD...)

(₹in Thousands)

	As at March 31, 2020	As at March 31, 2019
SCHEDULE 8 - INVESTMENTS		
I. Investments in India in :		
i. Government Securities ##	317,607,101	273,508,149
ii. Other approved Securities	-	-
iii. Shares	4,359,624	2,401,659
iv. Debentures and Bonds	14,573,447	11,903,518
v. Subsidiaries/ Joint Ventures	4,622,000	4,030,000
vi. Others @	17,003,679	26,397,781
Total	358,165,851	318,241,107
II. Investments outside India		
i. Government Securities (including Local authorities)	756,555	-
ii. Subsidiaries / Joint Ventures abroad	-	-
iii. Other investments (Shares)	4,383	3,620
Total	760,938	3,620
Grand Total (I and II)	358,926,789	318,244,727
Gross Investments		
In India	362,598,461	322,239,127
Outside India	760,938	3,753
Total	363,359,399	322,242,880
Depreciation/ Provision for Investments		
In India	4,432,610	3,998,020
Outside India	-	133
Total	4,432,610	3,998,153
Net Investments		
In India	358,165,851	318,241,107
Outside India	760,938	3,620
Total	358,926,789	318,244,727

Securities costing ₹ 70,234,352 Thousands (Previous Year ₹ 48,222,203 Thousands) pledged for avilment of fund transfer facility, clearing facility and margin requirements.

@ Comprises of:

(₹in Thousands)

Particulars	As at March 31, 2020	As at March 31, 2019
Pass through certificates (PTCs)	3,179,372	4,979,229
Certificate of Deposits	8,426,645	16,768,658
Commercial Paper	1,952,494	480,833
Venture Capital Funds (VCFs)	963,367	654,661
Security Receipts	2,381,801	3,514,400
Mutual Fund	100,000	-
Others	-	-
Total	17,003,679	26,397,781

THE FEDERAL BANK LIMITED

SCHEDULES FORMING PART OF THE BALANCE SHEET (CONTD...)

(₹ in Thousands)

	As at March 31, 2020	As at March 31, 2019
SCHEDULE 9 - ADVANCES (NET OF PROVISIONS)		
A. i. Bills purchased and discounted	50,037,816	49,536,772
ii. Cash credits, overdrafts and loans repayable on demand	554,677,024	514,483,409
iii. Term loans	617,964,308	538,209,356
Total	1,222,679,148	1,102,229,537
B. i. Secured by tangible assets*	1,020,724,426	919,948,575
ii. Covered by Bank/Government guarantees #	23,853,476	19,555,065
iii. Unsecured	178,101,246	162,725,897
Total	1,222,679,148	1,102,229,537
C.I. Advances in India		
i. Priority sectors	296,524,927	300,456,563
ii. Public sector	1,307,504	2,731,508
iii. Banks	3,500,000	334,722
iv. Others	897,803,817	776,145,550
Total	1,199,136,248	1,079,668,343
C.II. Advances outside India (Refer note 3.11 of Schedule 18)		
i. Due from Banks	808,103	-
ii. Due from Others		
a) Bills purchased and discounted	-	899,921
b) Syndicated Loans	9,326,488	11,536,661
c) Others	13,408,309	10,124,612
Total	23,542,900	22,561,194
Grand Total (C I and C II)	1,222,679,148	1,102,229,537

* Includes Advances against book debts

Includes Advances against Letter of Credit issued by banks

THE FEDERAL BANK LIMITED
SCHEDULES FORMING PART OF THE BALANCE SHEET (CONTD...)

(₹in Thousands)

	As at March 31, 2020	As at March 31, 2019
SCHEDULE 10 - FIXED ASSETS		
I. OWNED ASSETS		
A. Premises #		
Gross Block		
At the beginning of the year	2,416,139	2,419,706
Additions during the year	-	-
Deductions during the year	13,907	3,567
At the end of the year	2,402,232	2,416,139
Depreciation		
As at the beginning of the year	946,441	900,506
Charge for the Year	45,917	48,411
Deductions during the year	9,513	2,476
Depreciation to date	982,845	946,441
Net Block	1,419,387	1,469,698
B. Other fixed assets		
(including furniture and fixtures)		
Gross Block		
At the beginning of the year	11,564,553	10,751,804
Additions during the year	1,229,773	1,305,602
Deductions during the year	1,032,163	492,853
At the end of the year	11,762,163	11,564,553
Depreciation		
As at the beginning of the year	8,484,769	7,790,213
Charge for the year	1,148,657	1,155,342
Deductions during the year	1,005,917	460,786
Depreciation to date	8,627,509	8,484,769
Net Block	3,134,654	3,079,784
II. Capital Work in progress (Including Capital Advances)	245,812	170,929
Total (I & II)	4,799,853	4,720,411

Includes buildings constructed on leasehold land at different places having original cost of ₹ 659,861 Thousands (Previous Year ₹ 659,861 Thousands) and Written down value of ₹ 464,092 Thousands (Previous Year ₹ 475,256 Thousands) with remaining lease period varying from 57 - 69 years.

THE FEDERAL BANK LIMITED

SCHEDULES FORMING PART OF THE BALANCE SHEET (CONTD...)

(₹in Thousands)

	As at March 31, 2020	As at March 31, 2019
SCHEDULE 11 - OTHER ASSETS		
I. Inter - office adjustments (net)	-	-
II. Interest accrued	10,227,723	8,671,829
III. Tax paid in advance/Tax Deducted at source (Net of provision)	10,630,146	9,650,669
IV. Stationery and Stamps	6,731	3,479
V. Non-banking assets acquired in satisfaction of claims*	24,376	26,587
VI. Others #	73,339,890	49,184,695
Total	94,228,866	67,537,259
* - Includes certain Non-Banking assets acquired in satisfaction of claims which are in the process of being transferred in the Bank's name.		
# Includes		
Priority sector shortfall deposits	60,167,801	39,754,250
SCHEDULE 12 - CONTINGENT LIABILITIES		
I. Claims against the Bank not acknowledged as debts	14,556,410	10,431,829
II. Liability on account of outstanding forward exchange contracts**	247,702,742	216,818,222
III. Guarantees given on behalf of constituents - in India	65,911,076	49,831,684
IV. Acceptances, endorsements and other obligations	14,105,927	14,698,846
V. Other items for which the Bank is contingently liable@	2,324,549	1,666,179
Total	344,600,704	293,446,760

(Refer Note 4.7 of Schedule 18)

** - Including Derivatives

@ - includes ₹ 1,773,742 Thousands (Previous Year : ₹ 1,145,572 Thousands) being amount transferred to DEA Fund Cell, RBI and outstanding, as per RBI circular DBOD.No.DEAF Cell.BC.114/30.01.002/2013-14 (Refer Note 3.16 of Schedule 18).

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

(₹ in Thousands)

	Year ended March 31, 2020	Year ended March 31, 2019
SCHEDULE 13 - INTEREST EARNED		
I. Interest/discount on advances/bills	106,708,679	90,896,169
II. Income on investments	21,840,716	20,374,502
III. Interest on balances with Reserve Bank of India and other inter-bank funds	1,399,639	734,688
IV. Others*	2,158,500	2,184,886
Total	132,107,534	114,190,245
* - Includes interest on Income tax refunds amounting to ₹ Nil (Previous year ₹ 341,251 Thousands) accounted based on Assessment orders received.		
SCHEDULE 14 - OTHER INCOME		
I. Commission, exchange and brokerage	9,894,858	8,010,179
II. Profit on sale of investments (Net)	6,078,431	2,283,978
III. Profit on revaluation of investments (Net)	-	-
IV. Profit / (Loss) on sale of land, buildings and other assets (Net)	53,538	181,892
V. Profit on foreign exchange transactions (Net)	2,384,773	2,356,789
VI. Income earned by way of dividends etc. from companies in India	305,747	-
VII. Miscellaneous income**	596,728	677,402
Total	19,314,075	13,510,240
** - Includes Recoveries in assets written off ₹ 522,418 Thousands (Previous year ₹ 435,841 Thousands)		
SCHEDULE 15 - INTEREST EXPENDED		
I. Interest on deposits	81,003,652	67,425,806
II. Interest on Reserve Bank of India/Inter bank borrowings	914,103	1,137,434
III. Others	3,700,739	3,863,556
Total	85,618,494	72,426,796
SCHEDULE 16 - OPERATING EXPENSES		
I. Payments to and provisions for employees	17,723,605	13,777,579
II. Rent, taxes and lighting	2,945,396	2,760,272
III. Printing and stationery	246,643	288,694
IV. Advertisement and publicity	113,763	151,644
V. Depreciation on Bank's property	1,194,574	1,203,754
VI. Directors' fees, allowances and expenses	22,156	15,154
VII. Auditors' fees and expenses (including branch auditors' fees and expenses)	92,744	82,880
VIII. Law charges	122,333	93,334
IX. Postage, Telegrams, Telephones etc	747,670	655,589
X. Repairs and maintenance	716,190	653,371
XI. Insurance	1,420,978	1,194,064
XII. Other expenditure#	8,410,080	6,766,334
Total	33,756,132	27,642,669

- Includes expenditure on Corporate Social Responsibility - ₹ 423,980 Thousands (Previous Year: ₹170,382 Thousands)

THE FEDERAL BANK LIMITED

SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES APPENDED TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020

1. Background

The Federal Bank Limited ('the Bank') was incorporated in 1931 as Travancore Federal Bank Limited to cater to the banking needs of Travancore Province. It embarked on a phase of sustained growth under the leadership of Late K.P. Hormis. The Bank has a network of 1299 branches / offices in India and provides retail and corporate banking, para banking activities such as debit card, third party product distribution etc., treasury and foreign exchange business. The Bank is governed by the Banking Regulation Act, 1949 and other applicable Acts / Regulations. The Bank's shares are listed on BSE Limited and National Stock Exchange of India Limited. The GDRs issued by the Bank in 2006 have been listed on London Stock Exchange. The Bank had set up an International Financial Service Centre (IFSC) Banking unit (IBU) in Gujarat International Finance Tec-City (GIFT City) in line with global financial centres of Singapore and Dubai. IBU at Gift city is equivalent to an Offshore Banking unit, for all regulatory purposes.

2. Basis of preparation

The financial statements have been prepared in accordance with requirements prescribed under the Third Schedule (Form A and Form B) of the Banking Regulation Act, 1949. The accounting and reporting policies of the Bank used in the preparation of these financial statements conform to Generally Accepted Accounting Principles in India ("Indian GAAP"), the circulars and guidelines issued by the Reserve Bank of India ('RBI') from time to time and the Accounting Standards prescribed under Section 133 of the Companies Act, 2013 ("the Act") and the relevant provisions of the Act, as applicable and current practices prevailing within the banking industry in India. The Bank follows the historical cost convention and accrual method of accounting in the preparation of the financial statements, except in the case of interest income on Non- Performing Assets (NPAs) where it is recognised upon realisation as per RBI guidelines. The accounting policies adopted in the preparation of financial statements are consistent with those followed in the previous year.

3. Use of estimates

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

4. Significant accounting policies

4.1 Revenue Recognition

- Interest income is recognised on an accrual basis except interest income on non-performing assets, which is recognised upon receipt as specified in RBI guidelines.
- Interest on income tax refund is recognised in the year of receipt of Assessment Orders.
- The recoveries made from NPA accounts are appropriated first towards unrealized interest/income debited to borrowers accounts, then expenditure/out of pocket expenses incurred and lastly towards principal dues.
- Processing fees collected on loans disbursed, along with related loan acquisition costs are recognised at inception/Renewal of the loan.
- Income on discounted instruments is recognised over the tenure of the instrument on a straight line basis.
- Guarantee commission, commission on letter of credit and annual locker rent fees are recognised on a straight line basis over the period of contract. Other fees and commission income are recognised when due, except in cases where the bank is uncertain of ultimate collection.
- Dividend on Equity Shares, Preference Shares and on Mutual Funds is recognised as Income when the right to receive the dividend is established.
- Loan Syndication fee is accounted for on completion of the agreed service and when right to receive is established.
- In compromise settlement cases, sacrifice on settlement is accounted upfront.
- Unpaid funded interest on term loans are accounted on realisation as per the guidelines of RBI.
- The difference between the sale price and purchase cost of gold coins, received on consignment basis is included in other income. The Bank also deals in bullion on a borrowing and lending basis and the interest paid/received is accounted on an accrual basis.

4.2 Advances

Advances are classified into performing assets (Standard) and non-performing assets ('NPAs') as per the RBI guidelines and are stated net of bills rediscounted, inter-bank participation certificates issued with risk sharing, specific provisions made towards NPAs, floating provisions and unrealized interest on NPAs. Interest on Non Performing advances is transferred to an unrealized interest account and not recognized in profit and loss account until received. Further,

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NPAs are classified into sub-standard, doubtful and loss assets based on the criteria stipulated by the RBI. The Bank has made provision for Non-Performing Assets as stipulated under Reserve Bank of India (RBI) norms.

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

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

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

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

The Bank maintains general provision for standard assets including credit exposures computed as per the current marked to market values of interest rate and foreign exchange derivative contracts, in accordance with the guidelines and at levels stipulated by RBI from time to time.

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

4.3 Country risk

In addition to the provisions required to be held according to the asset classification status, provisions are held for individual country exposure (other than for home country). The countries are categorised into seven risk categories namely insignificant, low, moderate, high, very high, restricted and off-credit as per Export Credit Guarantee Corporation of India Limited (ECGC) guidelines and provision is made

in respect of the country where the net funded exposure is 1% or more of the bank's total funded assets.

4.4 Investments

Classification

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

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

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

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

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

Transfer of securities between Categories

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

Acquisition Cost

In determining the acquisition cost of the Investment:

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

Valuation

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

- a) Held for Trading /Available for Sale – Investments classified under the AFS and HFT categories are marked-to-market. The market/fair value of quoted investments included in the 'AFS'

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and 'HFT' categories is the Market Price of the Scrip as available from the trades/ quotes on the stock exchanges or prices declared by Primary Dealers Association of India ('PDAI') jointly with Fixed Income Money Market and Derivative Associations of India ('FIMMDA') / Financial Benchmarks India Pvt Ltd. ('FBIL'), periodically. Net depreciation, if any, within each category of each investment classification is recognised in Profit and Loss Account. The net appreciation, if any, under each category of each Investment is ignored. Except in cases where provision for diminution other than temporary is created, the Book value of individual securities is not changed consequent to the periodic valuation of Investments.

- b) Held to Maturity– These are carried at their acquisition cost. Any premium on acquisition is amortized over the remaining maturity period of the security on a straight line basis. Any diminution, other than temporary, in the value of such securities is provided for.
- c) Treasury Bills, Commercial paper and Certificate of Deposits being discounted instruments, are valued at carrying cost.
- d) Units of Mutual Funds are valued at the latest repurchase price/net asset value declared by Mutual Fund.
- e) Market value of investments where current quotations are not available, is determined as per the norms prescribed by the RBI as under:
 - In case of unquoted bonds, debentures and preference shares where interest/dividend is received regularly (i.e. not overdue beyond 90 days), the market price is derived based on the Yield to Maturity (YTM) for Government Securities as published by FIMMDA/ PDAI/ FBIL 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/ FBIL are adopted for this purpose;
 - In case of bonds and debentures (including Pass Through Certificates or PTCs) where interest is not received regularly (i.e. overdue beyond 90 days), the valuation is in accordance with prudential norms for provisioning as prescribed by RBI;
 - Equity shares, for which current quotations are not available or where the shares are not quoted on the stock exchanges, are valued at break-up value (without considering revaluation reserves, if any) which is ascertained from the company's latest Balance Sheet. In case the latest Balance Sheet available is of a date earlier than one year from the date of valuation, the shares are valued at Re. 1/- per company;
 - Depreciation on equity shares acquired and held by the Bank under SDR and S4A scheme is provided over a period of four

calendar quarters from the date of conversion of debt into equity in accordance with the RBI guidelines.

- Units of Venture Capital Funds (VCF) held under AFS category where current quotations are not available are marked to market based on the Net Asset Value (NAV) shown by VCF as per the latest audited financials of the fund. In case the audited financials are not available for a period beyond 18 months, the investments are valued at Re. 1/- per VCF. Investment in unquoted VCF after August 23, 2006 are categorized under HTM category for the initial period of three years and valued at cost as per RBI guidelines;
- In case of investments in security receipts on or after April 1, 2017 which are backed by more than 50 percent of the stressed assets sold by the Bank, provision for depreciation in value is made at the higher of - provisioning rate required in terms of net asset value declared by the Reconstruction Company ('RC')/ Securitisation Company ('SC') or the provisioning rate as per the extant asset classification and provisioning norms as applicable to the underlying loans, assuming that the loan notionally continued in the books of the bank. All other investments in security receipts are valued as per the NAV obtained from the issuing RC/ SCs.
- f) Investments in subsidiaries/associates as per RBI guidelines are categorized as HTM and assessed for impairment to determine permanent diminution, if any.
- g) The Bank follows settlement date method of accounting for purchase and sale of investments.
- h) Non Performing Investments are identified and valued based on RBI Guidelines.

Disposal of Investments

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

Repo and Reverse Repo transactions

Repo and reverse repo transactions in government securities and corporate debt securities including those conducted under the Liquidity Adjustment Facility ('LAF') and Marginal Standby Facility ('MSF') with RBI are accounted as collateralised borrowing and lending respectively. Borrowing cost on repo transactions is accounted as interest expense and revenue on reverse repo transactions is accounted as interest income.

THE FEDERAL BANK LIMITED**SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES APPENDED TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (CONTD...)****Short Sales**

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

4.5 Transactions involving foreign exchange

Foreign currency income and expenditure items of domestic operations are translated at the exchange rates prevailing on the date of the transaction. Income and expenditure items of non-integral foreign operations (foreign branches) are translated at quarterly average closing rates.

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

Both Monetary and Non- Monetary foreign currency Assets and liabilities of Non- Integral Foreign Operations are translated at closing exchange rates notified by FEDAI at the balance sheet date and the resulting profit/loss arising from exchange differences are accumulated in Foreign currency translation Reserve until remittance or the disposal of the net investment in the non-integral foreign operations in accordance with AS-11. Any realised gains or losses on such disposal are recognised in the Profit and Loss Account.

Foreign exchange spot and forward Contracts (Other than the forwards / swaps marked under Funding category) outstanding as at the Balance Sheet date are revalued at the closing Spot and Forward Rates respectively as notified by FEDAI and at interpolated rates for contracts of interim maturities. For valuation of contracts having longer maturities i.e. greater than one year, the forward points (for rates/tenures not published by FEDAI) are obtained from Reuters for valuation of the FX Deals. As directed by FEDAI to consider profit or loss on present value basis, the forward profit or loss on the deals are discounted till the valuation date using the discounting yields. The resulting profit or loss on valuation is recognised in the Profit and Loss Account.

Foreign exchange swaps taken for funding purposes is amortised and recognised along interest lines in the Profit and Loss Account.

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

Balance Sheet date.

4.6 Derivative transactions

The Bank recognizes all derivative contracts at fair value, on the date on which the derivative contracts are entered into and are re-measured at fair value as at the Balance sheet or reporting dates. Derivatives are classified as assets when the fair value is positive (Positive marked-to-market) or as liabilities when the fair value is negative (negative marked-to-market). Changes in the fair value of derivatives other than those designated as hedges are recognised in the Profit and Loss Account.

4.7 Proposed Dividend

In terms of Accounting Standard (AS) 4 "Contingencies and Events occurring after the Balance sheet date" as notified by the Ministry of Corporate affairs through amendments to Companies (Accounting Standards) Amendment Rules, 2016 dated March 30, 2016, Proposed Dividend or Dividend declared after balance sheet date are not shown as liability in current year balance sheet. This is disclosed in the notes to accounts.

4.8 Fixed assets and depreciation

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

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

Depreciation on fixed assets, including amortisation of software, is charged over the estimated useful life of fixed assets on straight-line basis at the rates and manner prescribed in Schedule II of the Companies Act, 2013, except as mentioned below:

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

Depreciation on assets sold during the year is recognised on a pro-rata basis till the date of sale.

Profit on sale of premises is appropriated to Capital Reserve account (Net of applicable taxes and transfer to statutory reserves) in

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accordance with RBI instructions.

4.9 Impairment of Assets

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

4.10 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.

4.11 Retirement and other employee benefits

a) Provident Fund

The contribution made by the bank to The Federal Bank Employees Provident Fund, administered by the trustees is charged to the Profit and Loss account.

b) Pension Fund

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

c) Gratuity

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

d) Compensation for absence on Privilege / Sick / Casual Leave and Leave Travel Concession (LTC)

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

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

e) New Pension Scheme ('NPS')

Employees who joined the services of the Bank on or after April 01, 2010 are covered under New Pension Scheme. Bank contributes certain percentage of the sum of basic salary and dearness allowance of employees to the aforesaid scheme, a defined contribution plan, which is managed and administered by pension fund management companies. NPS contributions are recognised in the Profit and Loss Account in the period in which they accrue.

f) Other employee Benefits

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

4.12 Segment information

The disclosure relating to segment information is in accordance with the guidelines issued by RBI.

4.13 Lease transactions

Operating Lease

Leases where the lessor effectively retains substantially all the risks and benefits of ownership over the lease term are classified as operating lease. Lease payments for assets taken on operating lease are recognised as an expense in the Profit and Loss Account as per the lease terms.

4.14 Earnings per Share

The Bank reports basic and diluted earnings per share in accordance with AS 20, Earnings per Share, as prescribed under Section 133 of the Companies Act, 2013. Basic earnings per share is computed by dividing the net profit after tax by the weighted average number of equity shares outstanding for the year.

Diluted earnings per share reflect the potential dilution that could occur if securities or other contracts to issue equity shares were exercised or converted during the year. Diluted earnings per share is computed using the weighted average number of equity shares and dilutive potential equity shares outstanding at the year end except where the results are anti-dilutive.

4.15 Taxation

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

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

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

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

Minimum Alternate Tax (MAT) paid in accordance with the tax laws, which gives future economic benefits in the form of adjustment to future income tax liability, is considered as an asset if there is convincing evidence that the Bank will pay normal income tax. Accordingly, MAT is recognised as an asset in the Balance Sheet when it is highly probable that future economic benefit associated with it will flow to the Bank.

4.16 Provisions, contingent liabilities and contingent assets

A provision is recognised when the Bank has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions (excluding retirement benefits) are not discounted to its present value and are determined based on best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates.

A disclosure of contingent liability is made when there is:

- a possible obligation arising from a past event, the existence of which will be confirmed by occurrence or non-occurrence of

one or more uncertain future events not within the control of the Bank; or

- a present obligation arising from a past event which is not recognised as it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.

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.

4.17 Debit card reward points

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

4.18 Employee Stock Option Scheme

The Bank has formulated Employee Stock Option Scheme (ESOS) 2010 & Employee Stock Option Scheme (ESOS) 2017 and is 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 bank follows 'Intrinsic value method' for accounting of ESOS based on which, 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.

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

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4.19 Share issue expenses

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

4.20 Corporate Social Responsibility

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

4.21 Input Credit under GST

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

4.22 Priority Sector Lending Certificates (PSLC)

The Bank vide RBI circular FIDD.CO.Plan.BC.23/ 04.09.01/2015-16 dated April 7, 2016 trades in priority sector portfolio by selling or buying PSLC. There is no transfer of risks or loan assets in these transactions. The fee paid for purchase of the PSLC is treated as an 'Expense' and the fee received from the sale of PSLCs is treated as 'Other Income'.

4.23 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).

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SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020
1. Disclosures requirement as per RBI's Master Circular on Disclosure in Financial Statements

Amounts in notes forming part of the financial statements for the year ended March 31, 2020 are denominated in Rupees Crore to conform to extant RBI guidelines except where stated otherwise.

1.1. Capital Adequacy Ratio

The Bank computes Capital Adequacy Ratio as per Basel III Capital Regulations issued by RBI, which became applicable to the Bank with effect from April 1, 2013.

Under Basel III Capital Regulations, on an on-going basis, the Bank has to maintain a Minimum Total Capital (MTC) of 10.875% (Previous Year 10.875%) including Capital Conversion Buffer (CCB) at 1.875% (Previous Year 1.875%), of the total risk weighted assets (RWA). Out of the MTC, at least 7.375% (Previous Year 7.375%), shall be from Common Equity Tier 1 (CET1) capital and at least 8.875% (Previous Year 8.875%) from Tier 1 capital, including 1.875% (Previous Year 1.875%) towards CCB.

The capital adequacy ratio of the Bank is set out below:

Particulars	(₹ in Crore)	
	As at March 31, 2020	As at March 31, 2019
Common Equity Tier I*	14,056.92	12,545.71
Tier 1 Capital	14,056.92	12,545.71
Tier 2 Capital	1,118.08	714.47
Total Capital	15,175.00	13,260.18
Total risk weighted assets	105,785.95	93,764.32
Capital Ratios		
Common Equity Tier 1	13.29%	13.38%
Tier 1 Capital	13.29%	13.38%
Tier 2 Capital	1.06%	0.76%
Total Capital to Risk weighted Asset Ratio (CRAR)	14.35%	14.14%
Percentage of the shareholding of the Government of India in public sector banks	NA	NA
Amount of Equity Capital Raised Net of Share Issue Expenses	-	-
Amount of Additional Tier I Capital raised of which:	-	-
a) Perpetual Non- Cumulative Preference Shares(PNCPS)	-	-
b) Perpetual Debt Instruments (PDI)	-	-
Amount of Tier II Capital raised of which:	-	-
a) Debt Capital instruments	300.00	-
b) Preference Share Capital Instruments:	-	-
[Perpetual Cumulative Preference Shares (PCPS) / Redeemable Non-Cumulative Preference Shares (RNCPS) / Redeemable Cumulative Preference Shares (RCPS)]	-	-

*Adjusted for proposed dividend of ₹ Nil per share (Previous year: ₹1.40 per share) and applicable taxes. (Refer Note 4.2 E also)

During the year ended March 31, 2020, the bank had raised ₹ 300.00 Crore (Previous year: ₹ Nil) Tier II capital by way of issuance of Basel III compliant Tier II Bonds, the details of which are set out below.

Instrument	Capital	Date of Maturity	Period	Coupon	Amount (₹ in Crore)
Subordinated Debt	Tier II	June 20, 2029	120 Months	9.75%	300.00

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

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SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (CONTD...)

1.2. Investments

1.2.1. Details of Investments:

(₹ in Crore)

Particulars	March 31, 2020	March 31, 2019
(1) Value of Investments		
(i) Gross Value of Investments		
(a) In India	36,259.85	32,223.91
(b) Outside India	76.09	0.38
(ii) Provision for Depreciation		
(a) In India	347.07	308.98
(b) Outside India	-	0.02
(iii) Provision for Non-performing investments		
(a) In India	96.19	90.82
(b) Outside India	-	-
(iv) Net value of Investments		
(a) In India	35,816.59	31,824.11
(b) Outside India	76.09	0.36
(2) Movement of provision held towards depreciation on Investments		
(i) Opening Balance	308.98	206.05
(ii) Add: Provisions made during the year	59.61	125.12
(iii) Less: Write off / Write back of excess provision during the year	21.52	22.19
(iv) Closing Balance	347.07	308.98
(3) Movement of provision for Non-performing investments (NPIs)		
(i) Opening Balance	90.82	88.94
(ii) Add: Provisions made during the year	24.15	13.48
(iii) Less: Write off / Write back of excess provision during the year	18.78	11.60
(iv) Closing Balance	96.19	90.82

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

1.2.2. Additional Details on Investments:

- Investments under HTM (excluding specified investments as per RBI norms) account for 18.97% (Previous year 17.88%) of demand and time liabilities as at the end of March 31, 2020 as against permitted ceiling of 19.50% (Previous Year: 19.50%) stipulated by RBI.
- In respect of securities held under HTM category premium of ₹ 74.01 Crore (Previous year: ₹ 52.89 Crore) has been amortised during the year and debited under interest received on Government securities.
- Profit on sale of securities from HTM category amounting to ₹ 235.44 Crore (Previous year: ₹ 53.20 Crore) has been taken to Profit and Loss Account. This includes Profit on redemption on maturity of investments amounting to ₹ 17.71 Crores. During the year, the Bank had appropriated ₹ 133.69 Crore (Previous year ₹ 26.02 Crore), [net of taxes and transfer to statutory reserve] to the Capital Reserve, being the gain on sale of HTM Investments in accordance with RBI guidelines. (Refer Note 1.2.5 also)
- As per RBI circular DBR.No.BP.BC.102/21.04.048/2017-18 dated April 2, 2018 Investment fluctuation reserve (IFR) is to be created with an amount not less than lower of net profit on sale of investments during the year or net profit for the year less mandatory appropriations until the amount of IFR is at least 2 percent of the HFT and AFS portfolio, on a continuing basis.

As on March 31, 2020, the bank is maintaining an IFR of ₹ 189.72 Crore as against the minimum requirement of ₹ 159.37 Crore and considered it as part of Tier II capital for capital adequacy purposes. (Previous Year: ₹ 189.72 Crore)

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1.2.3. Repo Transactions

Details of securities sold/purchased (in face value terms) during the years ended March 31, 2020 under repos/reverse repos:

(₹ in Crore)

Particulars	Outstanding during the year			As at March 31, 2020
	Minimum	Maximum	Daily Average	
A) Securities sold under RBI Repos				
i) Government Securities	-	2,438.00	192.56	1,988.00
ii) Corporate Debt Securities	-	-	-	-
Securities purchased under RBI Reverse Repos				
i) Government Securities	-	5,900.00	1,169.62	3,400.00
ii) Corporate Debt Securities	-	-	-	-
B) Securities sold under Market Repos				
i) Government Securities	-	1,590.25	685.99	1,184.73
ii) Corporate Debt Securities	-	-	-	-
Securities purchased under Reverse Market Repos				
i) Government Securities	-	1,778.91	189.07	-
ii) Corporate Debt Securities	-	-	-	-

Details of securities sold/purchased (in face value terms) during the year ended March 31, 2019 under repos/reverse repos:

(₹ in Crore)

Particulars	Outstanding during the year			As at March 31, 2019
	Minimum	Maximum	Daily Average	
A) Securities sold under RBI Repos				
i) Government Securities	-	1,687.00	134.39	500.00
ii) Corporate Debt Securities	-	-	-	-
Securities purchased under RBI Reverse Repos				
i) Government Securities	-	2,125.00	238.97	2,125.00
ii) Corporate Debt Securities	-	-	-	-
B) Securities sold under Market Repos				
i) Government Securities	9.63	1,638.83	629.95	113.34
ii) Corporate Debt Securities	-	-	-	-
Securities purchased under Reverse Market Repos				
i) Government Securities	-	1,203.06	225.17	15.06
ii) Corporate Debt Securities	-	-	-	-

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1.2.4. Details of Non-SLR investment portfolio:

a) Issuer composition as at March 31, 2020 of Non-SLR investments

(₹ in Crore)

Sl. No.	Issuer	Amount	Extent of private placement	Extent of 'below investment grade' securities	Extent of 'unrated' securities **	Extent of 'unlisted' Securities***
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	Public Sector Undertakings	16.27	6.50	-	-	-
2	Financial Institutions	435.07	405.35	-	-	-
3	Banks	1,347.61	1,346.21	10.00	-	-
4	Private Corporates	1,478.78	1,478.78	25.00	-	372.40
5	Subsidiaries / Joint ventures	467.20	467.20	-	-	5.00
6	Others*	830.30	754.40	546.49	10.00	5.00
7	Less: Provision held towards depreciation on investment	347.07	XXX	XXX	XXX	XXX
8	Less: Provision held towards non performing investments	96.19	XXX	XXX	XXX	XXX
	Total	4,131.97	4,458.44	581.49	10.00	382.40

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

* Includes Investments in Non-SLR government securities amounting to ₹ 75.91 Crore.

** Excludes investments in equity shares, commercial papers, Certificates of Deposit, Securities directly issued by the Central and State Governments, which are not reckoned for SLR purposes, security acquired by way of conversion of debt and units issued by venture capital in line with RBI guidelines.

*** Excludes investments in equity shares, units issued by venture capital funds, pass through certificates, security receipts, security acquired by way of conversion of debt and certificate of deposits in line with RBI guidelines.

Issuer composition as at March 31, 2019 of Non-SLR investments

(₹ in Crore)

Sl. No.	Issuer	Amount	Extent of private placement	Extent of 'below investment grade' securities	Extent of 'unrated' securities **	Extent of 'unlisted' Securities***
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	Public Sector Undertakings	16.27	6.50	-	-	-
2	Financial Institutions	768.88	729.13	-	-	-
3	Banks	1,999.06	1,997.36	-	-	-
4	Private Corporates	899.37	893.68	49.04	-	121.73
5	Subsidiaries / Joint ventures	403.00	403.00	-	-	-
6	Others*	786.88	783.50	616.74	-	5.00
7	Less: Provision held towards depreciation on investment	308.98	XXX	XXX	XXX	XXX
8	Less: Provision held towards non performing investments	90.82	XXX	XXX	XXX	XXX
	Total	4,473.66	4,813.17	665.78	0.00	126.73

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

* Includes Investments in Non-SLR government securities amounting to ₹ 3.40 Crore.

** Excludes investments in equity shares, commercial papers, Certificates of Deposit, Securities directly issued by the Central and State Governments, which are not reckoned for SLR purposes, security acquired by way of conversion of debt and units issued by venture capital in line with RBI circular DBR No BPBC.6/21.04.141/2015-16.

*** Excludes investments in equity shares, units issued by venture capital funds, pass through certificates, security receipts, security acquired by way of conversion of debt and certificate of deposits in line with RBI circular DBR No BPBC.6/21.04.141/2015-16.

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

(₹ in Crore)

Particulars	March 31, 2020	March 31, 2019
Shares	435.96	240.17
Debentures and Bonds*	1,457.35	1,190.35
Subsidiaries/Joint Ventures	462.20	403.00
Others	1,700.37	2,639.78
Investment outside India	76.09	0.36
Total	4,131.97	4,473.66

* - Includes Investments in Non-SLR government securities amounting to ₹ 0.25 Crore (Previous year: ₹ 3.40 Crore).

c) Non-performing Non-SLR investments is set out below:

(₹ in Crore)

Particulars	March 31, 2020	March 31, 2019
Opening Balance	93.08	91.64
Additions during the year	22.16	13.04
Reductions during the year	18.78	11.60
Closing Balance	96.46	93.08
Total Provision held	96.19	90.82

1.2.5. Sale and transfers to/ from HTM Category

During the year ended March 31, 2020 the value of sales/transfers of securities to/from HTM category (excluding one-time transfer of securities and sales to RBI under OMO auctions and repurchase of Government Securities by Government of India) amounts to ₹ 2,589.94 crores which exceeds 5% of the book value of investments held in HTM category at the beginning of the year by ₹ 1,394.85 crores.

(₹ in Crore)

Market value of investments held in HTM category	Excess of book value over market value for which provision is not made
₹ 29,357.73	Nil

During the year ended March 31, 2019, 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 2018-19.

1.3. Derivatives

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

1.3.1 A) Exchange Traded Interest Rate Derivatives:

(₹ in Crore)

Sl.No	Particulars	March 31, 2020	March 31, 2019
(i)	Notional principal amount of exchange traded interest rate derivatives undertaken during the year (instrument-wise)		
	a) 6.79 G-Sec 2027	-	1,270.96
	b) 7.17 G-Sec 2028	210.20	1,768.08
	c) 6.45 G-Sec 2029	517.80	-
	d) 7.26 G-Sec 2029	741.80	-
(ii)	Notional principal amount of exchange traded interest rate derivatives outstanding	Nil	Nil
(iii)	Notional principal amount of exchange traded interest rate derivatives outstanding and not "highly effective" (Instrument wise)	Nil	Nil
(iv)	Mark-to-market value of exchange traded interest rate derivatives outstanding and not "highly effective" (instrument wise)	Nil	Nil

1.3.1. B) The bank had dealt in exchange traded currency futures during the financial year ended March 31, 2020 and March 31, 2019. As at March 31, 2020 and March 31, 2019 the open contracts on the exchange was Nil.

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1.3.2 Forward Rate Agreement (FRA)/ Interest Rate Swap (IRS)

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

(₹ in Crore)

Particulars		March 31, 2020	March 31, 2019
(i)	The notional principal of swap agreements	3,298.00	2,800.88
(ii)	Losses which would be incurred if counter parties failed to fulfil their obligations under the agreements	15.95	9.50
(iii)	Collateral required by the bank upon entering into swaps	Nil	Nil
(iv)	Concentration of credit risk arising from the swaps	42.43	37.26
(v)	The fair value of the swap book	(10.86)	(1.11)

The nature and terms of the IRS as on March 31, 2020 are set out below:

Nature	Nos.	Notional Principal	Benchmark	Terms
Trading	54	₹1750.00 Crore	MIOIS	Fixed payable v/s floating receivable
Trading	41	₹1200.00 Crore	MIOIS	Fixed receivable/floating payable
Trading	1	₹174.00 Crore	USD LIBOR 3M	Fixed receivable/floating payable
Trading	1	₹ 174.00 Crore	USD LIBOR 3M	Fixed receivable/floating payable

The nature and terms of the IRS as on March 31, 2019 are set out below:

Nature	Nos.	Notional Principal	Benchmark	Terms
Trading	43	₹1225.00 Crore	MIOIS	Fixed payable v/s floating receivable
Trading	42	₹1225.00 Crore	MIOIS	Fixed receivable/floating payable
Trading	1	₹175.44 Crore	USD LIBOR 3M	Fixed receivable/floating payable
Trading	1	₹175.44 Crore	USD LIBOR 3M	Fixed payable v/s floating receivable

The bank has not undertaken any transactions in Credit Default Swaps (CDS) during the year ended March 31, 2020 and March 31, 2019.

1.3.3. Disclosure on Risk exposure in Derivatives

Qualitative disclosures:

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

Derivatives are financial instruments whose characteristics are derived from an underlying asset like interest rates, exchange rates or indices. The Bank undertakes over the counter and exchange traded derivative transactions for Balance Sheet management and also for proprietary trading/market making. Bank offers derivative products to the customers to enable them to hedge their exposure within the prevalent regulatory guidelines.

Proprietary trading includes Interest Rate Futures, Currency Futures and Rupee Interest Rate Swaps under different benchmarks (viz. MIBOR, MIFOR etc) in over the counter/exchange traded derivatives. The Bank also undertakes transactions in Long Term Forex Contracts (LTFX) for hedging its Balance Sheet and also offers them to its customers. These transactions expose the Bank to various risks primarily credit, market, operational, legal, and reputation. The Bank has adopted the following mechanism for managing risks arising out of the derivative transactions.

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

The Treasury front office enters into derivative transaction with customers and interbank counterparties. The Bank has an independent back

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office and mid office as per regulatory guidelines. The MTM position of the derivative portfolio is monitored on a regular basis. The impact on derivative portfolio on account of the probable market movements are assessed on regular basis. The risk profile of the outstanding portfolio is reviewed by the Board at regular intervals.

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

Bank deals in derivatives for hedging G-Sec or foreign currency assets/liabilities subject to the prevailing regulatory guidelines. Transactions for hedging and trading are recorded separately. For hedge transactions, the Bank identifies the hedged item (asset or liability) at the inception of the transaction itself. The effectiveness is ascertained at the time of inception of the hedge and periodically thereafter.

Transactions related to foreign exchange forward, Interest rate Future/IRS/Currency future are marked to market every month and the MTM is accounted in the books.

(c) Collateral Security

We have provided Sufficient Collateral Security to Central counter Parties and Exchanges wherever Applicable.

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

(d) Credit Risk Mitigation

Most of the deals have been contracted with Banks/ Major PDs and no default risk is anticipated on the deals with them.

Quantitative Disclosures

(₹ in Crore)

Sl. No	Particulars	Currency Derivatives*		Interest rate Derivatives	
		Year ended March 31, 2020	Year ended March 31, 2019	Year ended March 31, 2020	Year ended March 31, 2019
(i)	Derivatives (Notional Principal Amount)				
	a) For hedging	-	-	-	-
	b) For trading	4,168.43	-	3,298.00	2,800.88
(ii)	Marked to Market positions				
	a) Asset (+)	122.36	-	75.96	39.12
	b) Liabilities (-)	112.10	-	86.81	40.23
(iii)	Credit Exposure	424.06	-	31.37	29.78
(iv)	Likely impact of one percentage change in interest rate (100*PV01)				
	a) on hedging derivatives	-	-	-	-
	b) on trading derivatives	0.47	-	0.63	0.62
(v)	Maximum and Minimum of 100*PV01 observed during the year				
	a) on hedging	-	-	-	-
	b) on trading	Max = 0.47	-	Max = 0.63	Max = 4.68
		Min = 0.40	-	Min = 0.61	Min = 0.47

* excludes forward exchange contract.

- The notional principal amount of forward exchange contracts classified as Hedging and Trading outstanding as on March 31, 2020 amounted to ₹ 2,429.34 Crore (Previous year ₹4,116.95 Crore) and ₹ 9,393.09 Crore (Previous year ₹ 9,997.27 Crore) respectively. For the hedging contract, as at 31st March, 2020 the marked to market position was asset ₹ 23.80 crores and liability of ₹ 45.31 crores (Previous year asset ₹ 109.82 crores and liability of ₹ 73.05 crores). For the trading contract, as at 31st March, 2020 the marked to market position was asset ₹ 148.80 crores and liability of ₹ 154.24 crores (Previous year asset ₹ 133.46 crores and liability of ₹ 274.09 crores). Credit exposure on forward exchange contracts at March 31, 2020 was ₹ 934.86 Crore (Previous year ₹ 845.42 Crore). The notional principal amounts

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of derivatives reflect the volume of transactions outstanding as at the Balance Sheet date and do not represent the amounts at risk.

- Interest rate derivative represents interest rate swaps.
- The bank has computed the maximum and minimum of PV01 for the year based on the balances as at the end of every month.
- In respect of derivative contracts, the bank evaluates the credit exposure arising therefrom, in line with RBI guidelines. Credit exposure has been computed using the current exposure method which is the sum of :
 - a) The current replacement cost (Marked to Market value including accruals of the contract) or zero whichever is higher.
 - b) The Potential Future Exposure (PFE) is a product of the notional principal amount of the contract and a factor that is based on the grid of credit conversion factor prescribed in RBI Guidelines, which is applied on the basis of the residual maturity and the type of contract.

1.4. Asset Quality

1.4.1 Net non-performing assets

Particulars	March 31, 2020 (%)	March 31, 2019 (%)
Net non-performing assets as a percentage of net advances.	1.31	1.48

1.4.2 Movement in gross non-performing assets

(₹ in Crore)

Particulars	March 31, 2020	March 31, 2019
Opening balance	3,260.68	2,795.62
Additions during the year	1,918.80	1,667.98
Reductions during the year	1,648.65	1,202.92
Closing balance	3,530.83	3,260.68

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

1.4.3 Movement in net non-performing assets

(₹ in Crore)

Particulars	March 31, 2020	March 31, 2019
Opening balance	1,626.20	1,551.96
Additions during the year	626.39	767.39
Reductions during the year	645.42	693.15
Closing balance	1,607.17	1,626.20

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

1.4.4 Movement in provisions for non-performing assets

(₹ in Crore)

Particulars	March 31, 2020	March 31, 2019
Opening balance	1,606.32	1,215.13
Additions during the year	1,280.45	898.87
Reductions during the year	1,001.50	507.68
Closing balance	1,885.27	1,606.32

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

1.4.5 Divergence in Asset classification and Provisioning for NPAs

The divergence observed by RBI for the Financial year 2018-19 in respect of the Bank's asset classification and provisioning under the extant prudential norms on income recognition, asset classification and provisioning is below the regulatory requirement for disclosure and hence the disclosure as required under RBI Circulars DBR.BP.BC.No.63/21.04.018/2016-17 dated April 18, 2017 and DBR.BP.BC.No.32/21.04.018/2018-19 dated April 1, 2019 on 'Divergence in the asset classification and provisioning', is not required to be made.

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1.4.6 A) Particulars of Accounts Restructured

Details of loan assets subjected to restructuring during the year ended March 31, 2020:

(₹ in Crore)

Type of Restructuring		Under CDR Mechanism					Under SME Debt Restructuring Mechanism				
		Stand-ard	Sub-Standard	Doubt-ful	Loss	Total	Stand-ard	Sub-Standard	Doubtful	Loss	Total
Restructured accounts as at April 01, 2019 (Opening Balance)	No. of borrowers	1	-	4	1	6	-	-	-	-	-
	Amount Outstanding – (a) Restructured facility	29.48	-	36.84	-	66.32	-	-	-	-	-
	b) Other facility	22.16	-	20.05	3.78	45.99	-	-	-	-	-
	Provision thereon	8.77	-	2.63	-	11.40	-	-	-	-	-
Movement in balance for accounts appearing under opening balance	No. of borrowers	-	-	-	-	-	-	-	-	-	-
	Amount Outstanding – (a) Restructured facility	(0.69)	-	-	-	(0.69)	-	-	-	-	-
	b) Other facility	-	-	-	-	-	-	-	-	-	-
	Provision thereon	(8.77)	-	(2.63)	-	(11.40)	-	-	-	-	-
Fresh Restructuring during the year ended March 31, 2020 ¹	No. of borrowers	-	-	-	-	-	-	-	-	-	-
	Amount Outstanding – (a) Restructured facility	-	-	-	-	-	-	-	-	-	-
	b) Other facility	-	-	-	-	-	-	-	-	-	-
	Provision thereon	-	-	-	-	-	-	-	-	-	-
Upgradation to restructured standard category during the year ended March 31, 2020	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 March 31, 2020	No. of borrowers	-	-	-	-	-	-	-	-	-	-
	Amount Outstanding – (a) Restructured facility	-	-	-	-	-	-	-	-	-	-
	b) Other facility	-	-	-	-	-	-	-	-	-	-
	Provision thereon	-	-	-	-	-	-	-	-	-	-
Downgradation of restructured accounts during the year ended March 31, 2020 ²	No. of borrowers	(1)	-	1	-	-	-	-	-	-	-
	Amount Outstanding – (a) Restructured facility	(28.79)	-	28.79	-	-	-	-	-	-	-
	b) Other facility	(22.16)	-	22.16	-	-	-	-	-	-	-
	Provision thereon	-	-	-	-	-	-	-	-	-	-
Write-offs of restructured accounts during the year ended March 31, 2020 ³	No. of borrowers	-	-	(1)	-	(1)	-	-	-	-	-
	Amount Outstanding – (a) Restructured facility	-	-	(17.75)	-	(17.75)	-	-	-	-	-
	b) Other facility	-	-	-	-	-	-	-	-	-	-
	Provision thereon	-	-	-	-	-	-	-	-	-	-
Restructured accounts as at March 31, 2020 (closing figures) ⁴	No. of borrowers	-	-	4	1	5	-	-	-	-	-
	Amount Outstanding – (a) Restructured facility	-	-	47.88	-	47.88	-	-	-	-	-
	b) Other facility	-	-	42.21	3.78	45.99	-	-	-	-	-
	Provision thereon	-	-	-	-	-	-	-	-	-	-

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(₹ in Crore)

Type of Restructuring		Others					Total				
		Stand-ard	Sub-Stand-ard	Doubt-ful	Loss	Total	Stand-ard	Sub-Stand-ard	Doubtful	Loss	Total
Restructured accounts as at April 01, 2019 (Opening Balance)	No. of borrowers	1472	23	52	60	1607	1473	23	56	61	1613
	Amount Outstanding – (a)Restructured facility	367.76	0.61	278.12	35.94	682.43	397.24	0.61	314.96	35.94	748.75
	b)Other facility	0.50	-	2.12	12.17	14.79	22.66	-	22.17	15.95	60.78
	Provision thereon	51.48	0.05	0.03	-	51.56	60.25	0.05	2.66	-	62.96
Movement in balance for accounts appearing under opening balance	No. of borrowers	-	-	-	-	-	-	-	-	-	-
	Amount Outstanding – (a) Restructured facility	(11.48)	(0.02)	(0.40)	-	(11.90)	(12.17)	(0.02)	(0.40)	-	(12.59)
	b) Other facility	0.59	-	(0.05)	-	0.54	0.59	-	(0.05)	-	0.54
	Provision thereon	(1.44)	(0.05)	(0.03)	-	(1.52)	(10.21)	(0.05)	(2.66)	-	(12.92)
Fresh Restructuring during the year ended March 31, 2020 ¹	No. of borrowers	96	2	8	-	106	96	2	8	-	106
	Amount Outstanding – (a) Restructured facility	196.99	0.20	38.02	-	235.21	196.99	0.20	38.02	-	235.21
	b) Other facility	-	-	-	-	-	-	-	-	-	-
	Provision thereon	9.85	-	3.83	-	13.68	9.85	-	3.83	-	13.68
Upgradation to restructured standard category during the year ended March 31, 2020	No. of borrowers	10	(8)	(1)	(1)	-	10	(8)	(1)	(1)	-
	Amount Outstanding – (a)Restructured facility	0.24	(0.18)	(0.04)	(0.02)	-	(0.24)	(0.18)	(0.04)	(0.02)	-
	b)Other facility	-	-	-	-	-	-	-	-	-	-
	Provision thereon	-	-	-	-	-	-	-	-	-	-
Restructured Standard Advances which cease to attract higher provisioning and/or additional risk weight at the end of March 31, 2020	No. of borrowers	-	-	-	-	-	-	-	-	-	-
	Amount Outstanding – (a) Restructured facility	-	-	-	-	-	-	-	-	-	-
	b)Other facility	-	-	-	-	-	-	-	-	-	-
	Provision thereon	-	-	-	-	-	-	-	-	-	-
Downgradation of restructured accounts during the year ended March 31, 2020 ²	No. of borrowers	(243)	220	14	9	-	(244)	220	15	9	-
	Amount Outstanding – (a)Restructured facility	(10.68)	7.34	3.09	0.25	-	(39.47)	7.34	31.88	0.25	-
	b)Other facility	-	-	-	-	-	(22.16)	-	22.16	-	-
	Provision thereon	-	-	-	-	-	-	-	-	-	-
Write-offs of restructured accounts during the year ended March 31, 2020 ³	No. of borrowers	(271)	(6)	(8)	(13)	(298)	(271)	(6)	(9)	(13)	(299)
	Amount Outstanding – (a) Restructured facility	(279.42)	(0.04)	(274.47)	(34.89)	(588.82)	(279.42)	(0.04)	(292.22)	(34.89)	(606.57)
	b) Other facility	-	-	(1.92)	-	(1.92)	-	-	(1.92)	-	(1.92)
	Provision thereon	(47.06)	-	-	-	(47.06)	(47.06)	-	-	-	(47.06)
Restructured accounts as at March 31, 2020 (closing figures) ⁴	No. of borrowers	1064	231	65	55	1415	1064	231	69	56	1420
	Amount Outstanding – (a)Restructured facility	263.41	7.91	44.32	1.28	316.92	263.41	7.91	92.20	1.28	364.80
	b)Other facility	1.09	-	0.15	12.17	13.41	1.09	-	42.36	15.95	59.40
	Provision thereon	12.83	-	3.83	-	16.66	12.83	-	3.83	-	16.66

THE FEDERAL BANK LIMITED**SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020
(CONTD...)**

1. Additional /Fresh sanctions made to existing restructured accounts includes ₹54.26 Crore (28 Borrowers, Provision made is ₹ 2.71 Crore) Balance as on March 31,2020
2. Downgradation of accounts from restructured standard to NPA
3. Write-off of restructured accounts during the year includes recovery of ₹ 330.11 Crore (293 borrowers with provision ₹ 46.84 Crore) during the year, balance as on March 31,2020
4. Other Facility includes ₹ 58.16 Crore in investment

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SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (CONTD...)

Details of loan assets subjected to restructuring during the year ended March 31, 2019:

(₹ in Crore)

Type of Restructuring		Under CDR Mechanism					Under SME Debt Restructuring Mechanism ⁶				
		Stand-ard	Sub-Stand-ard	Doubt-ful	Loss	Total	Stand-ard	Sub-Stand-ard	Doubt-ful	Loss	Total
Restructured accounts as at April 01, 2018 (Opening Balance)	No. of borrowers	3	-	3	1	7	-	-	-	-	-
	Amount Outstanding – (a) Restructured facility	79.61	-	20.56	-	100.17	-	-	-	-	-
	b) Other facility	38.21	-	20.05	3.78	62.04	-	-	-	-	-
	Provision thereon	16.99	-	0.46	-	17.45	-	-	-	-	-
Movement in balance for accounts appearing under opening balance ¹	No. of borrowers	-	-	-	-	-	-	-	-	-	-
	Amount Outstanding – (a) Restructured facility	(4.58)	-	(1.49)	-	(6.07)	-	-	-	-	-
	b) Other facility	(12.61)	-	-	-	(12.61)	-	-	-	-	-
	Provision thereon	(4.59)	-	(0.46)	-	(5.05)	-	-	-	-	-
Fresh Restructuring during the year ended March 31, 2020 ²	No. of borrowers	-	-	-	-	-	-	-	-	-	-
	Amount Outstanding – (a) Restructured facility	-	-	-	-	-	-	-	-	-	-
	b) Other facility	-	-	-	-	-	-	-	-	-	-
	Provision thereon	-	-	-	-	-	-	-	-	-	-
Upgradation to restructured standard category during the year ended March 31, 2019	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 March 31, 2019 ³	No. of borrowers	(1)	-	-	-	(1)	-	-	-	-	-
	Amount Outstanding – (a) Restructured facility	(27.78)	-	-	-	(27.78)	-	-	-	-	-
	b) Other facility	(3.44)	-	-	-	(3.44)	-	-	-	-	-
	Provision thereon	(1.00)	-	-	-	(1.00)	-	-	-	-	-
Downgradation of restructured accounts during the year ended March 31, 2019	No. of borrowers	(1)	-	1	-	-	-	-	-	-	-
	Amount Outstanding – (a) Restructured facility	(17.77)	-	17.77	-	-	-	-	-	-	-
	b) Other facility	-	-	-	-	-	-	-	-	-	-
	Provision thereon	(2.63)	-	2.63	-	-	-	-	-	-	-
Write-offs of restructured accounts during the year ended March 31, 2019 ⁴	No. of borrowers	-	-	-	-	-	-	-	-	-	-
	Amount Outstanding – (a) Restructured facility	-	-	-	-	-	-	-	-	-	-
	b) Other facility	-	-	-	-	-	-	-	-	-	-
	Provision thereon	-	-	-	-	-	-	-	-	-	-
Restructured accounts as at March 31, 2019 (closing figures) ⁵	No. of borrowers	1	-	4	1	6	-	-	-	-	-
	Amount Outstanding – (a) Restructured facility	29.48	-	36.84	-	66.32	-	-	-	-	-
	b) Other facility	22.16	-	20.05	3.78	45.99	-	-	-	-	-
	Provision thereon	8.77	-	2.63	-	11.40	-	-	-	-	-

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SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (CONTD...)

(₹ in Crore)

Type of Restructuring		Others					Total				
		Stand-ard	Sub-Stand-ard	Doubt-ful	Loss	Total	Stand-ard	Sub-Stand-ard	Doubt-ful	Loss	Total
Restructured accounts as at April 01, 2018 (Opening Balance)	No. of borrowers	23	3	68	77	171	26	3	71	78	178
	Amount Outstanding – (a) Restructured facility	366.75	0.45	440.46	2.21	809.87	446.33	0.46	461.03	2.21	910.03
	b) Other facility	26.42	-	16.87	-	43.29	64.63	-	36.92	3.78	105.33
	Provision thereon	55.17	0.02	12.32	-	67.51	72.16	0.02	12.77	-	84.95
Movement in balance for accounts appearing under opening balance ¹	No. of borrowers	(2)	-	(15)	(18)	(35)	(2)	-	(15)	(18)	(35)
	Amount Outstanding – (a) Restructured facility	(6.20)	-	(26.26)	(0.89)	(33.35)	(10.78)	-	(27.75)	(0.89)	(39.42)
	b) Other facility	(10.50)	-	(1.26)	-	(11.76)	(23.11)	-	(1.26)	-	(24.37)
	Provision thereon	0.01	-	(10.88)	(10.22)	(21.11)	(4.60)	-	(11.34)	(10.22)	(26.16)
Fresh Restructuring during the year ended March 31, 2019 ²	No. of borrowers	1,492	2	-	-	1,494	1,492	2	-	-	1,494
	Amount Outstanding – (a) Restructured facility	104.82	0.15	-	-	104.97	104.82	0.15	-	-	104.97
	b) Other facility	-	-	-	-	-	-	-	-	-	-
	Provision thereon	5.25	0.01	-	-	5.26	5.25	0.01	-	-	5.26
Upgradation to restructured standard category during the year ended March 31, 2019	No. of borrowers	4	-	-	(4)	-	4	-	-	(4)	-
	Amount Outstanding – (a) Restructured facility	0.08	-	-	(0.08)	-	0.08	-	-	(0.08)	-
	b) Other facility	-	-	-	-	-	-	-	-	-	-
	Provision thereon	-	-	-	-	-	-	-	-	-	-
Restructured Standard Advances which cease to attract higher provisioning and/or additional risk weight at the end of March 31, 2019 ³	No. of borrowers	(17)	-	-	-	(17)	(18)	-	-	-	(18)
	Amount Outstanding – (a) Restructured facility	(68.67)	-	-	-	(68.67)	(96.45)	-	-	-	(96.45)
	b) Other facility	(3.25)	-	-	-	(3.25)	(6.69)	-	-	-	(6.69)
	Provision thereon	(0.06)	-	-	-	(0.06)	(1.06)	-	-	-	(1.06)
Downgradation of restructured accounts during the year ended March 31, 2019	No. of borrowers	(28)	18	5	5	-	(29)	18	6	5	-
	Amount Outstanding – (a) Restructured facility	(29.02)	0.01	(5.69)	34.70	-	(46.79)	0.01	12.08	34.70	-
	b) Other facility	(12.17)	-	-	12.17	-	(12.17)	-	-	(12.17)	-
	Provision thereon	(8.86)	0.02	(1.38)	10.22	-	(11.49)	0.02	1.25	10.22	-
Write-offs of restructured accounts during the year ended March 31, 2019 ⁴	No. of borrowers	-	-	(6)	-	(6)	-	-	(6)	-	(6)
	Amount Outstanding – (a) Restructured facility	-	-	(130.39)	-	(130.39)	-	-	(130.39)	-	(130.39)
	b) Other facility	-	-	(13.49)	-	(13.49)	-	-	(13.49)	-	(13.49)
	Provision thereon	-	-	(0.03)	-	(0.03)	-	-	(0.03)	-	(0.03)
Restructured accounts as at March 31, 2019 (closing figures) ⁵	No. of borrowers	1472	23	52	60	1607	1473	23	56	61	1613
	Amount Outstanding – (a) Restructured facility	367.76	0.61	278.12	35.94	682.43	397.24	0.61	314.96	35.94	748.75
	b) Other facility	0.50	-	2.12	12.17	14.79	22.66	-	22.17	15.95	60.78
	Provision thereon	51.48	0.05	0.03	-	51.56	60.25	0.05	2.66	-	62.96

1 Includes account closed during the year on account of payment of outstanding facilities by the borrower also includes the difference of amount between the balance of FY18 and FY19.

2 Fresh restructured and also added few accounts during the year - amount reported here represents outstanding as on March 31, 2019.

3 Accounts which were not attracting higher provisioning and/or additional risk weight at the beginning of the financial year.

4 Includes Sale of Restructured accounts ₹ 96.57 Crore.

5 Other facility also includes investment in Bond/Debt securities amounts to ₹ 58.16 crore

6 There are no SME accounts which have been restructured during the year ended March 31, 2019.

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1.4.6 B) Additional Disclosures with relation to Certain Restructuring Schemes:

1. Flexible Structuring of Existing Loans as at March 31, 2020: Nil (Previous Year: Nil).
2. Disclosures on Strategic Debt Restructuring Scheme (accounts which are currently under the stand still period) Nil (Previous year Nil)
3. Change in Ownership outside SDR Scheme (accounts which are currently under the stand-still period) as at March 31, 2020: Nil (Previous Year: Nil)
4. Change in Ownership of Projects under Implementation (accounts which are currently under the stand-still period) at March 31, 2020: Nil (Previous Year: Nil)

5. Disclosures on the Scheme for Sustainable Structuring of Stressed Assets (S4A)

March 31, 2020

(₹ in Crore)

Particulars	No. of accounts where S4A has been applied	Aggregate Amount outstanding	Amount outstanding		Provision Held
			In Part A	In Part B	
Classified as Standard	-	-	-	-	-
Classified as NPA	2	76.09	43.88	32.21	74.69

March 31, 2019

(₹ in Crore)

Particulars	No. of accounts where S4A has been applied	Aggregate Amount outstanding	Amount outstanding		Provision Held
			In Part A	In Part B	
Classified as Standard	1	51.63	29.47	22.16	10.33
Classified as NPA	1	25.13	15.08	10.05	23.74

6. Details of MSME accounts restructured as per RBI circular No.DBR.No.BP.BC.18/21.04.048/2018-19 dated January 1, 2019

Position as on March 31, 2020

(₹ in Crore)

No. of accounts restructured	Amount Restructured	Amount outstanding
76	120.44	100.09

Position as on March 31, 2019

(₹ in Crore)

No. of accounts restructured	Amount Restructured	Amount outstanding
7	11.68	11.74

7. COVID-19 Regulatory Package - Asset Classification and Provisioning

The SARS-CoV-2 virus responsible for COVID-19 continues to spread across the globe and India, which has contributed to a significant volatility in global and Indian Financial markets and a significant decrease in the global and local economic activities. COVID-19 outbreak was declared as a global pandemic on March 11, 2020 by World Health Organisation. The Government of India had announced a series of lock-down measures on March 24, 2020 which has been extended from time to time. The extent to which the COVID-19 pandemic will impact the Bank's performance will depend on future developments, which are highly uncertain, including among other things, any information concerning the severity of the COVID-19 pandemic and action to contain its spread or mitigate its impact whether government mandated or elected by the Bank. The Bank's capital and liquidity position is strong and would continue to be the focus area for the Bank.

In accordance with the 'COVID-19 Regulatory Packages' announced by the RBI on March 27, 2020 and April 17, 2020 ('the RBI guidelines'), with regard to providing relief to borrowers' on account of COVID-19 pandemic whose accounts were standard as on February 29, 2020, the Bank, in accordance with the Board approved policy had offered moratorium on repayment of loan instalments and/or deferment of interest due between March 1, 2020 and May 31, 2020 including relaxation in certain parameters, to all eligible borrowers, without considering the same as restructuring. Further on May 22, 2020, RBI has permitted the Banks to extend such benefits to eligible borrowers for another three months, from June 1, 2020 to August 31, 2020. In accordance with the RBI guidelines, the Bank is required to make provision @ 10% of outstanding advances over two quarters beginning with quarter ending March 31, 2020 in respect of such borrowers whose accounts,

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though classified as standard as on March 31, 2020, would have become non-performing but for these benefits/relaxations extended as per RBI guidelines. The Bank, as a prudent measure, has made the entire 10% provision amounting to ₹ 30.27 Crore during the quarter ended March 31, 2020 itself.

Further, in addition to the above, as a prudent measure, the Bank has made additional provision of ₹ 63.03 Crore as at March 31, 2020 against the likely impact of COVID-19 pandemic in respect of exposure of the Bank to certain specified sectors based on assessment of presently available information. The entire provision of ₹ 93.30 Crore in respect of COVID-19 impact is grouped in the Balance sheet under Schedule 5 - Other liabilities and provisions.

(₹ in Crore)

	March 31, 2020
Amounts in SMA/overdue categories, where the moratorium/deferment was extended	3,712.62
Amount where asset classification benefits is extended	302.66
Provisions made during the quarter ended March 31, 2020	30.27
Provisions adjusted during the year ended March 31, 2020 against slippages and the residual provisions	NA

8. COVID-19 Regulatory Package – Review of Resolution Timelines under the Prudential Framework of Resolution of Stressed Assets

(₹ in Crore)

	March 31, 2020
No. of accounts in which Resolution Period was extended	-
Amount Involved	-

9. Implementation of Resolution Plans (RPs):

Cases eligible for RPs during the year ended March 31, 2020		RPs Successfully implemented during the year ended March 31, 2020		RPs under implementation during the year ended March 31, 2020	
Balance Outstanding (₹ in Crore)	No. of cases	Balance Outstanding (₹ in Crore)	No. of cases	No. of cases	Balance Outstanding (₹ in Crore)
393.64	9	-	-	9	393.64

Out of the above, 4 cases are fully provided in our books amounting to total of ₹ 317.93 Cr.

1.4.7 A) Details of financial assets sold to Securitisation / Reconstruction companies for Asset Reconstruction:

(₹ in Crore)

	Particulars	March 31, 2020		March 31, 2019	
		Standard	NPA#	Standard	NPA#
a)	No of accounts	-	-	-	4
b)	Aggregate value (net of provision) of accounts sold to SC/RC	-	-	-	99.61
c)	Aggregate consideration	-	-	-	113.44
d)	Additional consideration realised in respect of accounts transferred in earlier years	-	-	-	-
e)	Aggregate gain/(loss) over net book value	-	-	-	13.83

including written off assets

B) Details of Investments held as Security Receipts received by sale of NPA to Securitisation/Reconstruction Companies as at March 31, 2020 and March 31, 2019 are as follows:

(₹ in Crore)

Particulars	Backed by NPAs sold by the bank as underlying		Backed by NPAs sold by other banks/ financial institutions/non-banking financial companies as underlying		Total	
	As at March 31, 2020	As at March 31, 2019	As at March 31, 2020	As at March 31, 2019	As at March 31, 2020	As at March 31, 2019
Book value of investments in security receipts	528.44	558.16	-	-	528.44	558.16

Note: In addition to above, bank holds security receipts of ₹ 18.05 Crore (Previous year: ₹ 58.58 Crore) which are backed by standard assets sold by the bank.

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C) Details of ageing of Investments held as Security Receipts as at March 31, 2020 are as follows:

(₹ in Crore)

Particulars		SRs issued Within past 5 years	SRs issued more than 5 years ago but within past 8 years	SRs issued more than 8 years ago
(i)	Book value of SRs backed by NPAs sold by the bank as underlying	216.61	303.21	8.62
	Provision held against (i)	82.56	217.08	8.62
(ii)	Book value of SRs backed by NPAs sold by other banks / financial institutions / non-banking financial companies as underlying	-	-	-
	Provision held against (ii)	-	-	-
Gross Book value		216.61	303.21	8.62
Total provision held against above		82.56	217.08	8.62
Net Book value		134.05	86.13	-

Note: In addition to above, bank holds security receipts of ₹ 18.05 Crore which are backed by standard assets sold by the bank, which is issued within past 5 years. Total Provision of ₹ 0.05 Cr is held against security receipts backed by standard assets sold by the bank.

Details of ageing of Investments held as Security Receipts as at March 31, 2019 are as follows:

(₹ in Crore)

Particulars		SRs issued Within past 5 years	SRs issued more than 5 years ago but within past 8 years	SRs issued more than 8 years ago
(i)	Book value of SRs backed by NPAs sold by the bank as underlying	314.43	243.73	-
	Provision held against (i)	117.52	147.72	-
(ii)	Book value of SRs backed by NPAs sold by other banks / financial institutions / non-banking financial companies as underlying	-	-	-
	Provision held against (ii)	-	-	-
Gross Book value		314.43	243.73	-
Total provision held against above		117.52	147.72	-
Net Book value		196.91	96.01	-

Note: In addition to above, bank holds security receipts of ₹ 58.58 Crore which are backed by standard assets sold by the bank, which is issued within past 5 years. Total Provision of ₹ 0.05 Cr is held against security receipts backed by standard assets sold by the bank.

1.4.8 Details of non-performing financial assets purchased/sold

A. Details of non-performing financial assets purchased from other banks

(₹ in Crore)

Particulars	March 31, 2020	March 31, 2019
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 to other banks

(₹ in Crore)

Particulars	March 31, 2020	March 31, 2019
1. No of accounts sold	NIL	NIL
2. Aggregate outstanding		
3. Aggregate consideration received		

1.4.9 Movement of Provision on Standard Assets

(₹ in Crore)

Particulars	March 31, 2020	March 31, 2019
(a) Opening balance	527.03	437.36
(b) Addition/adjustments during the year	99.08	97.86
(c) Deduction during the year	-	8.19
(d) Closing balance *	626.11	527.03

* Includes Provision held towards Unhedged Foreign Currency Exposure of Customers amounting ₹ 5.96Crore (Previous Year: ₹ 5.97 Crore)

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SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (CONTD...)
1.5 The Key business ratios and other information:

Particulars		March 31, 2020	March 31, 2019
(i)	Interest Income as a percentage to Working Funds* (%)	8.02	8.05
(ii)	Non-interest income as a percentage to Working Funds* (%)	1.17	0.95
(iii)	Operating Profit as a percentage to Working Funds* (%)	1.95	1.95
(iv)	Return on Assets [Based on Average Working Fund] *(%)	0.94	0.88
(v)	Business (Deposits less inter-bank deposits plus advances) per employee (₹ in Crore)**	21.94	19.95
(vi)	Profit per employee (₹ in Crore)**	0.12	0.10

* 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 number of employees for the year.

1.6. Asset Liability Management

Maturity pattern of certain items of assets and liabilities at March 31, 2020 and March 31, 2019 is set out below:

Year ended March 31, 2020

(₹ in Crore)

Maturity Pattern	Deposits	Advances#	Investments	Borrowings	Foreign Currency Assets	Foreign Currency Liabilities
Day 1	587.48	985.08	8,954.03	1,921.33	835.07	51.92
2 -7 days	2,636.71	707.30	120.98	-	330.46	29.55
8-14 days	1,568.21	201.77	503.28	28.68	486.15	41.07
15-30 days	2,692.33	1,202.29	277.35	197.36	115.94	247.07
31 days to 2 months	4,856.65	1,835.59	664.10	405.24	319.51	501.92
More than 2 months and up to 3 months	5,915.53	4,743.26	1,400.49	381.94	1,235.99	504.02
Over 3 months and upto 6 months	15,780.38	13,151.85	363.08	906.88	1,096.55	715.49
Over 6 months and upto 1 Year	26,635.35	15,368.05	931.35	1,221.97	1,058.81	1,253.55
Over 1 Year and upto 3 Years	60,594.18	51,035.72	2,931.77	4,489.95	694.68	2,412.26
Over 3 Years and upto 5 Years	2,862.99	14,604.68	3,041.40	371.48	539.97	1,356.63
Over 5 Years	28,160.27	18,432.32	16,704.85	447.60	227.85	-
Total	152,290.08	122,267.91	35,892.68	10,372.43	6,940.98	7,113.48

In context of COVID-19 pandemic, the Reserve Bank of India on March 27, 2020, announced measures to support the economy and the financial system by permitting the lending entities to offer a three month moratorium on all term loans and interest deferment on working capital facilities outstanding as on March 1, 2020. As a prudent measure, for the purpose of ALM, the contractual inflows on borrower accounts have been suitably adjusted for the moratorium considering the potential relief to borrowers.

Year ended March 31, 2019

(₹ in Crore)

Maturity Pattern	Deposits	Advances	Investments	Borrowings	Foreign Currency Assets	Foreign Currency Liabilities
Day 1	515.15	1,539.05	4,742.80	448.34	573.75	91.74
2 -7 days	2,272.46	1,668.47	122.31	577.50	905.78	99.40
8-14 days	1,125.06	539.10	91.82	220.57	33.38	65.22
15-30 days	2,572.38	2,517.40	218.17	2.00	224.82	39.98
31 days to 2 months	6,550.62	3,489.84	920.16	230.89	174.56	312.85
More than 2 months and up to 3 months	6,339.50	9,502.26	1,742.37	322.29	408.49	458.71
Over 3 months and upto 6 months	12,222.52	8,989.99	1,186.08	1,023.79	853.16	411.87
Over 6 months and upto 1 Year	24,618.27	12,918.43	1,336.78	976.56	1,219.56	799.77
Over 1 Year and upto 3 Years	51,221.27	41,822.33	3,418.00	2,545.50	611.85	1,639.49

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SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (CONTD...)

(₹ in Crore)

Maturity Pattern	Deposits	Advances	Investments	Borrowings	Foreign Currency Assets	Foreign Currency Liabilities
Over 3 Years and upto 5 Years	2,858.82	12,263.54	4,530.36	1,138.03	727.24	2,064.01
Over 5 Years	24,658.29	14,972.54	13,515.62	295.85	134.57	-
Total	134,954.34	110,222.95	31,824.47	7,781.32	5,867.16	5,983.04

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

1.7. Exposures

1.7.1 Exposure to Real Estate Sector

(₹ in Crore)

Category	March 31, 2020	March 31, 2019
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)	21,018.56 (3,901.09)	18,514.29 (4,248.49)
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;	6,443.00	6,394.51
(iii) Investments in Mortgage Backed Securities (MBS) and other securitised exposures –		
a) Residential	Nil	Nil
b) Commercial Real Estate	Nil	Nil
b) Indirect Exposure:		
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	7,404.90	6,434.15
Total Exposure to Real Estate sector	34,866.46	31,342.95

1.7.2 Exposure to Capital Market

(₹ in Crore)

Category	March 31, 2020	March 31, 2019
(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;	404.26	247.32
(ii) Advances against shares/bonds/debentures or other securities or on clean basis to individuals for investment in shares (including IPOs/ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds;	-	-
(iii) Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security;	0.09	0.55
(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;	477.66	576.58
(v) Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	14.29	11.30
(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;	-	-

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(₹ in Crore)

Category		March 31, 2020	March 31, 2019
(ix)	Financing to stockbrokers for margin trading;	-	-
(x)	All exposures to Venture Capital Funds (both registered and unregistered)	96.34	65.46
Total Exposure to Capital Market		992.64	901.21

1.7.3 Risk Category wise Country Exposure

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

(₹ in Crore)

Risk category*	Exposure (net)	Provision held	Exposure (net)	Provision held
	March 31, 2020	March 31, 2020	March 31, 2019	March 31, 2019
Insignificant	1,104.76	-	1,315.91	-
Low	158.68	-	140.09	-
Moderate	18.65	-	20.58	-
High	21.76	-	15.65	-
Very High	0.65	-	0.60	-
Restricted	-	-	-	-
Off-credit	-	-	-	-
Total	1,304.50	-	1,492.83	-

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

1.7.4. During the year ended March 31, 2020 and March 31, 2019, the Bank's credit exposure to single borrower and group borrowers was within the prudential exposure limits prescribed by RBI.

1.7.5 During the year ended March 31, 2020 and March 31, 2019 there are no unsecured advances for which intangible securities such as charge over the rights, licences, authority etc. has been taken as collateral by the Bank.

1.8. Details of Penalty imposed by RBI

(₹ in Lakhs)

Particulars	March 31, 2020	March 31, 2019
a) Penalty imposed on currency chests	0.50	0.28
Dates of Payment	Various dates	Various dates
b) Penalty imposed on deficiency in regulatory compliances	50.00*	500.00#
Date of Payment	August 14, 2019	October 15, 2018

*Penalty was imposed by RBI vide letter EFD. CO. SO. 124 / 02.02.003 / 2019-20 dated August 05, 2019.

#Penalty was imposed by RBI vide letter EFD. CO. SO. 287 / 02.02.003 / 2018-19 dated September 25, 2018

2. Disclosure requirements as per Accounting Standards where RBI has issued guidelines in respect of disclosure items for 'Notes to Accounts'
2.1. Employee Benefits (AS 15)
a) Defined Contribution Plan
Provident Fund

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

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The Bank recognized ₹ 0.47 Crore (Previous Year: ₹ 0.48 Crore) for provident fund contribution in the Profit and Loss Account.

New Pension Scheme

As per the industry level settlement dated April 27, 2010, employees who joined the services of the Bank on or after April 01, 2010 are not eligible for the defined benefit retirement plans (the "pension plan") 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 April 01, 2010.

The Bank recognized ₹ 36.39 Crore (Previous year: ₹ 30.22 Crore) for DCPS contribution in the Profit and Loss Account.

b) Defined benefit plan

Gratuity

The Bank provides for Gratuity, a defined benefit retirement plan (the "Gratuity Plan") covering the eligible employees. The Gratuity Plan provides a lump sum payment to vested employees on retirement, death, incapacitation or termination of employment, of an amount based on the respective employees' salary and the tenure of employment. Vesting occurs upon completion of five years of service as per Payment of Gratuity Act, 1972 and its amendment with effect from May 24, 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 monthly pension is paid 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, 2020.

i) Change in benefit obligations:

(₹ in Crore)

Particulars	Gratuity Plan		Pension Plan	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Projected benefit obligation, beginning of the year	329.19	311.55	983.39	899.64
Service Cost	20.39	17.09	168.92	131.58
Interest cost	21.19	22.99	59.17	63.99
Actuarial (gain)/ loss	43.54	9.53	223.26	40.37
Benefits paid	(39.68)	(31.97)	(236.76)	(152.19)
Projected benefit obligation, end of the year	374.63	329.19	1,197.98	983.39

ii) Change in plan assets:

(₹ in Crore)

Particulars	Gratuity Plan		Pension Plan	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Plan assets at beginning of the year at fair value	334.23	265.75	978.09	893.06
Expected return on plan assets	24.53	21.82	73.26	71.18

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(₹ in Crore)

Particulars	Gratuity Plan		Pension Plan	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Actuarial gain/(loss)	0.38	1.83	2.85	0.52
Employer's Contributions	49.84	76.80	312.49	165.52
Benefits paid	(39.68)	(31.97)	(236.76)	(152.19)
Plan assets at end of the year, at fair value	369.30	334.23	1,129.93	978.09

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

(₹ in Crore)

Particulars	Gratuity Plan		Pension Plan	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Fair value of plan assets at the end of the year	369.30	334.23	1,129.93	978.09
Present value of the defined benefit obligations at the end of the year	374.63	329.19	1,197.98	983.39
Liability/ (Asset) recognized in the Balance Sheet	5.33	(5.04)	68.05	5.30

iv) Gratuity / pension cost for the year ended March 31, 2020

(₹ in Crore)

Particulars	Gratuity Plan		Pension Plan	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Current Service cost	20.39	17.09	168.92	131.58
Interest cost	21.19	22.99	59.17	63.99
Expected return on plan assets	(24.53)	(21.82)	(73.26)	(71.18)
Actuarial (gain)/loss	43.15	7.70	220.41	39.85
Net Cost	60.20	25.96	375.24	164.24
Unamortised Gratuity expenditure of previous year expensed during current year#	-	53.58	-	-
Net cost Debit to Profit and Loss account	60.20	79.54	375.24	164.24
Actual return on plan assets	24.91	23.65	76.11	71.70

- Ministry of Labour and Employment, Government of India on March 29, 2018 has enhanced the gratuity ceiling to an employee under Payment of Gratuity Act, 1972 to ₹ 20 Lakhs from earlier limit of ₹10 lakhs. This change has resulted to an incremental gratuity liability amounting to ₹ 71.43 Crore. As per the RBI circular DBR.BP.9730/21.04.018/2017-18 dated April 27, 2018 the bank has an option to spread the impact of change in gratuity ceiling over four quarters beginning with the quarter ended March 31, 2018. The bank had availed the option to spread the incremental gratuity expenditure over four quarters beginning with the quarter ended March 31, 2018. Accordingly, during the quarter ended March 31, 2018 the bank has charged to the profit and loss account an amount of ₹17.85 Crore and there was an unamortised gratuity expenditure of ₹ 53.58 Crore. However, during the quarter ended June 30, 2018, the bank has charged to the profit and loss account the entire unamortised gratuity expenditure of ₹ 53.58 Crore.

v) Investment details of plan Assets

(₹ in Crore)

Particulars	Gratuity Plan		Pension Plan	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Central and state Government bonds	-	-	-	-
Other debt securities	-	-	7.99	10.99
Balance in Saving bank account with the Bank	2.42	2.62	4.14	2.68
Net current assets	0.01	0.01	0.53	0.57
Balance with LIC#	366.87	331.60	1,117.27	963.85
Total	369.30	334.23	1,129.93	978.09

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.

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vi) Experience adjustments

i) Gratuity Plan

(₹ in Crore)

	March 31, 2020	March 31, 2019	March 31, 2018	March 31, 2017	March 31, 2016	March 31, 2015
Defined Benefit Obligations	374.63	329.19	311.55	260.48	246.09	209.34
Plan Assets	369.30	334.23	265.75	261.54	225.66	223.52
Surplus/[Deficit]	(5.33)	5.04	(45.80)	1.06	(20.43)	14.18
Experience adjustments on Plan Liabilities [Gain / (Loss)]	(10.09)	(6.56)	(7.08)	2.18	(46.00)	(6.31)
Experience Adjustments on Plan Assets [Gain / (Loss)]	3.29	0.77	1.97	(0.42)	(1.97)	1.19

ii) Pension Plan

(₹ in Crore)

	March 31, 2020	March 31, 2019	March 31, 2018	March 31, 2017	March 31, 2016	March 31, 2015
Defined Benefit Obligations	1,197.98	983.39	899.64	737.38	637.50	587.48
Plan Assets	1,129.93	978.09	893.06	746.33	578.27	544.40
Surplus/ [Deficit]	(68.05)	(5.30)	(6.58)	8.95	(59.23)	(43.08)
Experience adjustments on Plan Liabilities [Gain / (Loss)]	(95.10)	(39.39)	(33.27)	93.67	(142.49)	(79.75)
Experience Adjustments on Plan Assets [Gain / (Loss)]	7.54	(3.14)	9.60	6.66	0.18	2.19

vii) Assumptions

Particulars	Gratuity Plan		Pension Plan	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Discount rate	6.85%	7.78%	6.84%	7.77%
Annuity rate per Rupee	-	-	134.98313	134.98313
Salary escalation rate	5.00%	5.00%	5.00%	5.00%
Estimated rate of return on plan assets	7.34%	8.21%	7.49%	7.97%
Attrition Rate	2.00%	2.00%	1.00%	1.00%
Mortality Table	IALM 2006-08 Ultimate	IALM 2006-08 Ultimate	IALM 2006-08 Ultimate	IALM 2006-08 Ultimate

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

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

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

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

The employees of the Bank are entitled to compensated absences. 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

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absence as the additional amount that the Bank expects to pay as a result of the unutilised entitlement that has accumulated at the balance sheet date based on actuarial valuations.

A sum of ₹ 25.55 Crore has been provided towards the above liabilities in accordance with AS 15 based on actuarial valuation. (Previous Year: ₹ 7.10 Crore)

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

	March 31, 2020	March 31, 2019
Privilege leave	168.29	149.47
Sick leave	18.25	13.36
Leave Travel Concession	20.43	18.76
Casual Leave	1.54	1.37
Total actuarial liability	208.51	182.96
Assumptions		
Discount rate	6.85%	7.78%
Salary escalation rate	5.00%	5.00%
Attrition Rate	2.00%	2.00%

(₹ in Crore)

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

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

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

2.2. Segment Reporting (AS 17)
A. Business Segments

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

Treasury

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

The income of this segment primarily consists of earnings from the investment portfolio of the bank, gains and losses on trading operations. The principal expense of the segment consists of interest expense on funds borrowed/utilized and other allocated overheads.

Corporate/Wholesale Banking:

This segment provides loans and other banking services to Corporate and other clients where value of individual exposure to the clients exceeds ₹ 5 Crore as defined by RBI. Revenue of this segment consists of interest and fees earned on loans to such customers and charges and fees earned from other banking services. Expenses of this segment primarily consist of interest expense on funds utilized and allocated overheads.

Retail banking:

Retail banking constitutes lending and other banking services to individuals/small business customers, other than corporate/wholesale banking customers, identified on the basis of RBI guidelines.

Revenue of this segment consists of interest earned on loans made to such customers and charges /fees carried from other banking services to them. The principal expenses of the segment consist of interest expenses on funds borrowed and other expenses.

Other Banking Operations

This segment includes para banking 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.

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

As on March 31, 2020:

(₹ in Crore)

Business Segments	Treasury	Corporate/ Whole sale Banking	Retail Banking	Other Banking Operations	Total
Revenue	3,142.09	5,623.27	6,092.72	284.08	15,142.16
Result (net of provisions)	822.00	(328.79)	1,560.61	38.17	2,091.99
Unallocated expense					(59.46)
Operating profit (PBT)					2,032.53
Income taxes					(489.75)
Extraordinary profit/loss					-
Net Profit					1,542.78
OTHER INFORMATION					
Segment Assets	41,832.43	62,647.64	66,697.09	3.75	171,180.91
Unallocated assets					9,457.14
Total assets					180,638.05
Segment liabilities	40,753.61	60,241.01	64,214.36	0.24	165,209.22
Unallocated liabilities					911.22
Total liabilities					166,120.44

As on March 31, 2019:

(₹ in Crore)

Business Segments	Treasury	Corporate/ Whole sale Banking	Retail Banking	Other Banking Operations	Total
Revenue	2,547.61	5,073.76	4,883.42	265.26	12,770.05
Result (net of provisions)	410.85	259.69	1,201.86	66.90	1,939.30
Unallocated expense					(32.05)
Operating profit (PBT)					1,907.25
Income taxes					(663.36)
Extraordinary profit/loss					-
Net Profit					1,243.89
OTHER INFORMATION					
Segment Assets	35,752.97	58,169.60	56,680.73	11.38	150,614.68
Unallocated assets					8,725.31
Total assets					159,339.99
Segment liabilities	34,761.44	56,007.30	54,611.30	0.04	145,380.08
Unallocated liabilities					686.87
Total liabilities					146,066.95

Geographical Segment Information

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

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

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2.3. Related Party Disclosures (AS 18)
a) Details of Related Parties:

Name of the Party	Nature of Relationship
Fedbank Financial Services Limited	Subsidiary
Federal Operations and Services Limited	Subsidiary
IDBI Federal Life Insurance Company Limited	Associate
Equirus Capital Private Limited	Associate
Mr. Shyam Srinivasan, Managing Director & CEO	Key Management Personnel
Mr. Ashutosh Khajuria, Executive Director & CFO	Key Management Personnel
Ms. Shalini Warriar, Executive Director (from January 15, 2020)	Key Management Personnel
Mr. Ganesh Sankaran, Executive Director (upto February 15, 2019)	Key Management Personnel
Fedbank Hormis Memorial Foundation	Entity in which KMPs can exercise significant influence

b) Significant transactions with related parties
For the year ended March 31, 2020:

Items/Related Party	Subsidiaries	Associates	Key Management Personnel	Total
Deposits# (₹ in Crore)	38.50 (42.69)	20.80 (26.06)	3.08 (3.08)	62.38 (71.83)
Advances# (₹ in Crore)	1062.20 (1071.57)	-	0.28 (0.53)	1062.48 (1072.10)
Investments# (₹ in Crore)	259.20 (259.20)	228.21 (228.21)	-	487.41 (487.41)
Interest paid (₹ in Crore)	-	0.49	0.05	0.54
Interest received (₹ in Crore)	79.79	-	0.02	79.81
Income from Services Rendered to (₹ in Crore)	5.86	43.93	-	49.79
Expenses for Receiving services from (₹ in Crore)	42.80	-	-	42.80
Leasing arrangements provided (₹ in Crore)	*	-	-	*
Leasing arrangements availed (₹ in Crore)	1.29	-	-	1.29
Receivable from (₹ in Crore)	-	9.13	-	9.13
Payable to (₹ in Crore)	4.50	-	-	4.50
Remuneration paid (₹ in Crore)	-	-	4.53	4.53
Dividend Received (₹ in Crore)	-	30.57	-	30.57
Dividend Paid (₹ in Crore)	-	-	1.18	1.18
Share capital received on exercise of ESOS (₹ in Crore)	-	-	0.47	0.47
No. of Options granted under ESOS (in numbers)	-	-	800,000	800,000
No. of Options outstanding under ESOS (in numbers)	-	-	4,120,680	4,120,680

- Represents outstanding as on March 31, 2020

* Denotes figures less than ₹1 Lakh.

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

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

For the year ended March 31, 2019:

Items/Related Party	Subsidiaries	Associates	Key Management Personnel	Total
Deposits# (₹ in Crore)	75.42 (76.08)	22.34 (29.35)	0.29 (0.50)	98.05 (105.93)

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Items/Related Party	Subsidiaries	Associates	Key Management Personnel	Total
Advances# (₹ in Crore)	677.58 (677.58)	- -	0.54 (2.12)	678.12 (679.70)
Investments# (₹ in Crore)	195.00 (195.00)	227.54 (227.54)	- -	422.54 (422.54)
Interest paid (₹ in Crore)	*	0.45	0.01	0.46
Interest received (₹ in Crore)	38.44	-	0.05	38.49
Income from Services Rendered to (₹ in Crore)	2.00	39.78	-	41.78
Expenses for Receiving services from (₹ in Crore)	19.32	-	-	19.32
Receivable from (₹ in Crore)	-	8.08	-	8.08
Payable to (₹ in Crore)	5.69	-	-	5.69
Remuneration paid (₹ in Crore)	-	-	3.12	3.12
Dividend Paid (₹ in Crore)	-	-	0.86	0.86
Share capital received on exercise of ESOS (₹ in Crore)	-	-	17.56	17.56
No.of Options granted under ESOS (in numbers)	-	-	900,000	900,000
No.of Options outstanding under ESOS (in numbers)	-	-	3,189,430	3,189,430

- Represents outstanding as on March 31, 2019

* Denotes figures less than ₹ 1 Lakh.

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

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

2.4. Deferred Tax Assets / Liability (AS 22)

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

(₹ in Crore)

	March 31, 2020	March 31, 2019
Deferred Tax Liability		
Tax effect of items constituting deferred tax liability:		
(i) Interest accrued but not due	148.83	186.66
(ii) Depreciation on Investments	11.35	48.72
(iii) Depreciation on Fixed assets	-	5.72
(iv) Special Reserve under Section 36(1) (viii) of the Income Tax Act, 1961	137.64	157.59
(v) Others	7.44	14.31
Total - (A)	305.26	413.00
Deferred Tax Asset		
Tax effect of items constituting deferred tax assets:		
(i) Interest/premium paid on purchase of securities	2.74	22.14
(ii) Provision for Standard Assets	157.58	184.17
(iii) Depreciation on Fixed assets	9.78	-
(iv) Others	124.01	106.89
Total - (B)	294.11	313.20
Net Deferred tax liability/ (Asset) (A-B)	11.15	99.80

2.5 During the year ended March 31, 2020, the Bank had elected to exercise the option permitted under section 115BAA of the Income Tax Act, 1961 as introduced by the Taxation Laws (Amendment) Ordinance, 2019. Accordingly, the Bank has recognised Provision for Income Tax for the year ended March 31, 2020 based on the rate prescribed in the aforesaid section.

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SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (CONTD...)
3. Additional Disclosures as per RBI's Master Circular on Disclosure in Financial Statements
3.1 'Provisions and Contingencies' recognised in the Profit and Loss Account include:

(₹ in Crore)

		Year ended March 31, 2020	Year ended March 31, 2019
i)	Provision towards NPAs	1,010.47	630.55
ii)	Provision for Depreciation in Value of Investments (Net)	63.19	102.93
iii)	Provision for Non - Performing Investments	5.37	20.28
iv)	Provision for Standard Assets	99.08	97.86
v)	Provision for Taxation#	489.75	663.36
vi)	Provision towards present value of sacrifice on restructuring, other contingencies etc.	(5.95)	4.23
	Total	1,661.91	1,519.21

#Refer Note No.2.5

3.2 Movement in floating provision is set out below:

(₹ in Crore)

Particulars	Standard Assets Provision		NPA Provision	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
a) Opening balance	12.75	12.75	69.18	69.18
b) Provision made during the year	-	-	-	-
c) Provision utilised during the year	-	-	-	-
d) Closing balance	12.75	12.75	69.18	69.18

3.3. Draw Down from Reserves

The Bank has not drawn down from any reserves during the year ended March 31, 2020 and March 31, 2019

3.4. A) Disclosure of customer complaints

Particulars	ATMs Complaints relating to the Bank's customers (1)		Complaints relating to other than ATM transactions (2)		Total complaints (1)+(2)	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
(a) No. of complaints pending at the beginning of the year	1,297	310	57	66	1,354	376
(b) No. of complaints received during the year	66,709	68,559	133,540	6,649	200,249	75,208
(c) No. of complaints redressed during the year	67,906	67,572	132,005	6,658	199,911	74,230
(d) No. of complaints pending at the end of the year	100	1,297	1,592	57	1,692	1,354

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

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B) Disclosure of Awards passed by the Banking Ombudsman

Particulars		March 31, 2020	March 31, 2019
(a)	No. of unimplemented awards at the beginning of the year	2@	1@
(b)	No. of awards passed by the Banking Ombudsman	1	1
(c)	No. of awards implemented during the year	1*	Nil
(d)	No. of unimplemented awards at the end of the year	2@	2@

*Award passed in FY 18-19 which was unimplemented. Bank had filed appeal against the same in Appellate authority and was ordered in favour of Bank

@ Appeals filed by Bank are still pending at Appellate authority/High court

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

3.5. Letter of Comfort

The Bank has not issued any letters of comfort (LoC) on behalf of its subsidiaries during the year ended March 31, 2020 and March 31, 2019.

3.6 The Provision coverage ratio of the bank as on March 31, 2020, computed in terms of the RBI Guidelines was 72.48 % (Previous Year 67.16 %).

3.7. Bancassurance Business

Details of income earned from bancassurance business:

(₹ in Crore)

Sl. No.	Nature of Income *	March 31, 2020	March 31, 2019
1	For selling life insurance policies	43.94	39.72
2	For selling non-life insurance policies	22.72	16.24
3	For selling mutual fund products	2.09	3.98
4	Others#	6.56	3.57

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

- includes income on DP/Trading/PIS

3.8 Concentration of Deposits, Advances, Exposures and NPAs

3.8.1 Information on Concentration of deposits:

(₹ in Crore)

	March 31, 2020	March 31, 2019
Total deposits of twenty largest depositors	9,178.20	5,268.91
Percentage of deposits of twenty largest depositors to total deposits of the bank	6.03%	3.90%

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

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SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (CONTD...)
3.8.2 Information on Concentration of advances:

(₹ in Crore)

	March 31, 2020	March 31, 2019
Total advances to twenty largest borrowers	15,580.42	13,331.28
Percentage of advances to twenty largest borrowers to total advances of the bank	10.12%	9.83%

Note: Advance is computed as per the definition of Credit Exposure in RBI Master Circular on Exposure Norms DBOD. No. Dir.BC.12/13.03.00/2015-16 dated July1, 2015.

3.8.3 Information on Concentration of exposure:

(₹ in Crore)

	March 31, 2020	March 31, 2019
Total exposures to twenty largest borrowers/customers	16,519.67	14,189.96
Percentage of exposures to twenty largest borrowers/customers to total exposure of the bank on borrowers/customers	10.33	10.04%

Note: Exposure is computed as per the definition of Credit and Investment Exposure in RBI Master Circular on Exposure Norms DBOD. No. Dir.BC.12/13.03.00/2015-16 dated July1, 2015.

The bank has compiled the data for the purpose of disclosure in Note No. 3.8.1 to 3.8.3 from its internal MIS system and has been furnished by the management, which has been relied upon by the auditors.

3.8.4 Information on Concentration of NPAs:

(₹ in Crore)

	March 31, 2020	March 31, 2019
Total exposures to top four NPA accounts	512.83	411.96

3.9 Sector wise advances and NPA

The details of Sector-wise Gross Advances and Gross NPAs as at March 31, 2020 and March 31, 2019 are given below:

(₹ in Crore)

Sl. No.	Sector*	March 31, 2020			March 31, 2019		
		Gross Advances	Gross NPA	Gross NPA (%)	Gross Advances	Gross NPA	Gross NPA (%)
A	Priority Sector						
1.	Agriculture and allied activities	14,127.29	837.31	5.93	13,704.56	678.15	4.95
2.	Advances to industries sector eligible as priority sector lending	5,214.37	389.12	7.46	5,737.95	322.43	5.62
	<i>Of which:</i>						
	<i>Infrastructure</i>	1,151.36	63.41	5.51	1,342.71	45.18	3.36
3.	Services	6,676.44	495.04	7.41	7,288.54	526.39	7.22
	<i>Of which:</i>						
	<i>Trade</i>	4,280.09	407.45	9.52	4,808.04	427.97	8.90
	<i>Commercial Real Estate</i>	311.27	4.48	1.44	355.30	5.06	1.42
	<i>NBFCs</i>	47.47	-	-	505.26	0.80	0.16
	<i>Other Services</i>	1,403.33	39.94	2.85	644.39	65.53	10.17
4.	Personal loans	-	-	-	-	-	-
5.	Others	4,594.73	254.03	5.53	4,151.34	247.06	5.95
	Sub-total (A)	30,612.83	1,975.50	6.45	30,882.39	1,774.03	5.74
B	Non-Priority Sector						
1.	Agriculture and allied activities	-	-	-	738.02	-	-
2.	Industry	24,246.25	420.56	1.73	19,070.98	893.97	4.69

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(₹ in Crore)

Sl. No.	Sector*	March 31, 2020			March 31, 2019		
		Gross Advances	Gross NPA	Gross NPA (%)	Gross Advances	Gross NPA	Gross NPA (%)
	<i>Of which :</i>						
	<i>Infrastructure</i>	8,637.92	161.77	1.87	7,089.20	499.01	7.04
3.	Services	34,676.59	479.69	1.38	31,392.43	224.95	0.72
	<i>Of which :</i>						
	<i>Trade</i>	4,570.67	94.71	2.07	3,883.87	105.15	2.71
	<i>Commercial Real Estate</i>	5,012.21	27.62	0.55	4,761.75	33.60	0.70
	<i>Non-Banking Finance Companies</i>	17,069.83	281.23	1.65	14,257.92	2.32	0.02
	<i>Other services</i>	6,627.42	60.69	0.92	8,274.95	74.13	0.90
4.	Personal loans	1,491.14	33.18	2.23	741.63	11.98	1.62
5.	Others	33,126.37	621.90	1.88	29,003.82	355.75	1.23
	Sub-total (B)	93,540.35	1,555.33	1.66	80,946.88	1,486.65	1.84
	Total (A+B)	124,153.18	3,530.83	2.84	111,829.27	3,260.68	2.92

*Classification into sectors/subsectors as above has been done based on Bank's internal norms, which has been relied upon by the auditors.

3.10 A) Movement in gross non-performing assets

(₹ in Crore)

Particulars	March 31, 2020	March 31, 2019
Gross NPAs as at the beginning of the year	3,260.68	2,795.62
Additions (Fresh NPAs) during the year#	1,918.80	1,667.98
Sub-total (A)	5,179.48	4,463.60
Less: Reduction#		
(i) Upgradations	403.69	464.57
(ii) Recoveries (excluding recoveries made from upgraded accounts)	510.77	385.73
(iii) Technical/ Prudential Write – offs	663.07	150.81
(iv) Write –offs other than those under (iii) above	71.12	35.50
(v) Reduction by Sale of Assets to ARCs	-	166.31
Sub-total (B)	1,648.65	1,202.92
Gross NPAs as at the end of the year* (A-B)	3,530.83	3,260.68

Aggregate of quarterly movement during the year

* After considering technical/ Prudential Write – Offs

Closing Gross NPAs before technical/ Prudential Write – Offs is ₹ 5,839.51 Crore (Previous Year ₹ 4,951.86 Crore)

B) Movement in technical/prudential written off accounts is set out below:

(₹ in Crore)

Particulars	March 31, 2020	March 31, 2019
Opening balance	1,691.18	1,575.89
Add: Technical write-offs during the year	663.07	150.81
Sub-total (A)	2,354.25	1,726.70
Less: Reduction due to recovery made from previously technical/prudential written-off accounts during the year	44.58	35.27
Less: Sacrifice made from previously technical/prudential written-off accounts during the year	0.99	0.25
Less: Reduction due to sale of NPAs to ARCs from previously technical/prudential written off accounts during the year	-	-
Sub-total (B)	45.57	35.52
Closing balance at the end of the year (A-B)	2,308.68	1,691.18

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3.11. Details of Overseas Assets, NPAs and Revenue

During the year ended March 31, 2016 the Bank had commenced its operation, pursuant to RBI approval, in International Finance Service Centre (IFSC) Banking Unit (IBU) in Gujarat International Finance Tec City (GIFT) and the business transaction from the same is considered as a Foreign branch for most Regulatory purpose as per para 2.2 of Annex I of RBI Circular DBR.IBD.BC 14570/23.13.004/2014-15 dated April 1, 2015. Apart from the said IBU, the bank does not have any overseas branch(s) as on March 31, 2020 and March 31, 2019. Details of Assets, NPAs and Revenue of IBU are given below: (₹ in Crore)

Particulars	March 31, 2020	March 31, 2019
Total Assets	2,794.44	2499.72
Total NPAs	189.16	-
Total Revenue	99.96	115.27

3.12. Sponsored SPVs

The Bank has not sponsored any special purpose vehicle which is required to be consolidated in the consolidated financial statements as per accounting norms as at March 31, 2020 and March 31, 2019.

3.13 Disclosures on Remuneration
i) Qualitative disclosures
a) Information relating to the composition and mandate of the Nomination, Remuneration, Compensation and Ethics Committee (or Remuneration Committee in short):

The Remuneration Committee of the Board oversees the framing, review and implementation of the compensation policy of the Bank, on behalf of the Board. This committee works in coordination with Risk Management Committee of the Bank, in order to achieve effective alignment between risk and remuneration.

As on March 31, 2020, the remuneration committee of the Board comprises of the following Independent Directors:

- Mr. C Balagopal
- Ms. Shubhalakshmi Panse
- Ms. Grace Elizabeth Koshie

The above committee of the Board functions with the following objectives:

- a) To review the Compensation package for the MD and CEO and Executive Directors and recommend revisions for Board approval.
- b) To consider and approve issuance and allotment of ESOS shares to MD/EDs and employees of the Bank.
- c) To develop and implement an effective compensation policy, as per RBI guidelines.

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

The compensation payable to MD & CEO, WTDs 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 WTDs.

The variable compensation for MD & CEO and senior executives (Non – IBA package i.e. CGM and above) are determined based on Bank's performance and Key Performance Areas (KPA) set for the official. KPAs contain targets on risk adjusted metrics such as Risk Adjusted Return on Capital (RAROC), Risk Adjusted Return on Risk Adjusted Capital (RARORAC), in addition to target on NPAs.

The objectives of the remuneration policy are four fold:

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

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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

- 1 Managing Director and CEO/Whole Time Directors / Senior Management Personnel
- 2 Executives (Non Grander Compensation Package)
- 3 Executives (Grander Compensation Package)
- 4 Other members of staff (on IBA package)

Limit on variable pay

The variable compensation offered to an official would not exceed 70% of the total fixed compensation.

Severance pay and guaranteed bonus

Severance pay (other than gratuity or terminal entitlements or as entitled by statute) is not paid to any official of the Bank. Sign on bonus or joining bonus is limited to the first year and is paid only as Employee stock options.

Hedging

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

Compensation Recovery policy

Malus/ 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. If an Official covered under Compensation Recovery Policy, is responsible for any act or omission or non compliance of regulatory guidelines resulting in a penalty being imposed by any Regulators or engages in a detrimental conduct against the interests of the Bank, as determined by the Nomination Committee of the Board, within 36 months from the date of payment of variable compensation, the Bank may require such covered official to reimburse the Bank within 6 months for all, or a portion of, any bonus, incentive payment, equity based award or other compensation received by such Covered Official.

Committees to mitigate risks caused by an individual decision

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

- Credit limits are sanctioned by committees at different levels.
- Investment decisions of the Bank are taken and monitored by Investment committee and there is an upper limit in treasury dealings where individual decisions can be taken.
- Interest rates on asset and liability products for different buckets are decided and monitored by the Asset Liability Committee of the Board (ALCO). Bank's 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 Risk and Financial Control Staff are independent of business parameters and rendering of effective support to the Remuneration Committee of the Board. The variable compensation component (Performance Linked Incentive or PLI) will be subjected to a minimum and greater proportion of compensation will be fixed in nature to ensure autonomy and independence from business goals.

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

The Bank's performance is charted based on performance scorecard which takes into account various financial indicators like revenue earned, cost deployed, and profit earned, NPA position and other intangible factors like leadership and employee development. Variable pay is paid purely based on performance and is measured through 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 is fixed based on the periodic industry level settlements with Indian Banks Association. The compensation package applicable to Executives in Level 4 to 7 was fixed and governed based on the periodical industry level settlements under IBA pattern. To make the Compensation Structure market driven and competitive, a new performance based compensation package called "Grander Compensation Package" has been introduced for Executives in Level 4 (Assistant Vice President) and above with effect from May 01, 2017.

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.

ii) Quantitative disclosures

		March 31, 2020	March 31, 2019
(a)	Number of meetings held by the Remuneration Committee during the financial year and remuneration paid to its members.	10 ₹ 810,000/-	6 ₹ 540,000/-
(b)	(i) Number of employees having a variable remuneration award during the financial year.	3	3
	(ii) Number and total amount of sign-on awards made during the financial year.	Nil	Nil
	(iii) Details of guaranteed bonus, if any, paid as joining / sign on bonus	Nil	Nil
	(iv) Details of severance pay, in addition to accrued benefits, if any.	Nil	Nil
(c)	(i) Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms	Nil	Nil
	(ii) Total amount of deferred remuneration paid out in the financial year.	Nil	Nil
(d)	Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred (₹ in Crore)	Fixed – 3.75 Variable – 0.78	Fixed – 3.12 Variable – Nil
(e)	Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and / or implicit adjustments.	Nil	Nil

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3.14 Securitisation Transactions

The Bank has not done any securitisation transactions during the year ended March 31, 2020 and March 31, 2019.

3.15 Details of Intra-Group Exposure

(₹ in Crore)

Sl. No.	Particulars	March 31, 2020	March 31, 2019
1	Total amount of intra-group exposures*	1,108.96	705.17
2	Total amount of top-20 intra group exposures*	1,108.96	705.17
3	Percentage of intra group exposures to total exposure of the bank to borrowers/ customers *(%)	0.69%	0.50%
4	Details of breach of limits on intra-group exposures and regulatory action thereon, if any	NIL	NIL

* Exposure is computed as per the definition of Credit and Investment Exposure in RBI Master Circular on Exposure Norms DBR. No. Dir.BC.12/13.03.00/ 2015-16 dated July1, 2015.

3.16 Transfers to Depositor Education and Awareness (DEA) Fund

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

(₹ in Crore)

Particulars	March 31, 2020	March 31, 2019
Opening balance of amounts transferred to DEA Fund	114.56	103.07
Add: Amounts transferred to DEA Fund during the year	67.25	13.56
Less: Amounts reimbursed by DEA Fund towards claims	4.44	2.08
Closing balance of amounts transferred to DEA Fund	177.37	114.56

3.17 Unhedged Foreign Currency Exposure

The Bank has in place a policy on managing credit risk arising out of unhedged foreign currency exposures of its borrowers. The objective of this policy is to maximize the hedging on foreign currency exposures of borrowers by reviewing their foreign currency exposures and encouraging them to hedge the unhedged portion. The policy framework also articulates the methodologies for ascertaining the amount of unhedged foreign currency exposures, estimating the extent of likely loss, estimating the riskiness of the unhedged position and making appropriate provisions and capital charge as per extant RBI guidelines. In line with the policy, assessment of unhedged foreign currency exposure is a part of credit appraisal while proposing limits or at the review stage. Further, the bank reviews the unhedged foreign currency exposure across its portfolio on a periodic basis. The Bank maintains incremental provisions and additional capital for the unhedged foreign currency exposures of its borrowers in line with the extant RBI guidelines. The Bank has maintained ₹ 5.96 Crore (Previous year ₹ 5.97 Crore) as provision and ₹ 4.20 Crore (Previous year ₹ 4.42 Crore) as additional capital for computation of capital adequacy ratio on account of the unhedged foreign currency exposures of borrowers as at March 31, 2020.

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3.18 Liquidity Coverage Ratio (LCR)
a) Quantitative Disclosure

The following table sets forth, the daily average of unweighted and weighted values for all the quarters in the year ended March 31, 2020: (₹ in Crore)

Particulars	Quarter ended March 31, 2020		Quarter ended December 31, 2019		Quarter ended September 30, 2019		Quarter ended June 30, 2019		
	Total Un-weighted Value	Total Weighted Value	Total Un-weighted Value	Total Weighted Value	Total Un-weighted Value	Total Weighted Value	Total Un-weighted Value	Total Weighted Value	
High Quality Liquid Assets									
1	Total High Quality Liquid Assets (HQLA)	28,976.25		26,816.35		24,524.60		23,278.27	
Cash outflows									
2	Retail deposits and deposits from small business customers, of which:	125,491.75	11,719.49	123,228.70	11,499.65	119,909.57	11,181.96	116,970.34	10,897.03
(i)	Stable deposits	16,593.62	829.68	16,464.51	823.23	16,179.75	808.98	15,999.95	800.00
(ii)	Less stable deposits	108,898.13	10,889.81	106,764.19	10,676.42	1,03,729.82	10,372.98	100,970.39	10,097.03
3	Unsecured wholesale funding, of which:	12,178.51	5,994.52	9,899.21	4,367.77	8,754.80	3,994.19	8,585.33	4,554.60
(i)	Operational deposits (all counterparties)	-	-	-	-	-	-	-	-
(ii)	Non-operational deposits (all counterparties)	12,178.51	5,994.52	9,899.21	4,367.77	8,754.80	3,994.19	8,585.33	4,554.60
(iii)	Unsecured debt	-	-	-	-	-	-	-	-
4	Secured wholesale funding	-	-	-	-	-	-	-	-
5	Additional requirements, of which	1.87	1.87	0.63	0.63	1.19	1.19	1.09	1.09
(i)	Outflows related to derivative exposures and other collateral requirements	1.87	1.87	0.63	0.63	1.19	1.19	1.09	1.09
(ii)	Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
(iii)	Credit and liquidity facilities	-	-	-	-	-	-	-	-
6	Other contractual funding obligations	30,690.59	2,921.01	27,718.35	2,622.83	27,398.32	2,609.12	25,831.38	3,288.79
7	Other contingent funding obligations	7,958.10	238.74	7,442.36	223.27	7,351.84	220.56	6,789.76	203.69
8	TOTAL CASH OUTFLOWS		20,875.63		18,714.15		18,007.02		18,945.20
Cash Inflows									
9	Secured lending (e.g. reverse repos)	2,400.02	-	1,434.66	-	1,112.62	-	401.70	-
10	Inflows from fully performing exposures	6,652.90	5,246.00	6,856.07	5,398.97	6,698.63	5,056.67	6,053.79	4,179.18
11	Other cash inflows	0.79	0.79	0.72	0.72	1.46	1.46	0.03	0.03
12	TOTAL CASH INFLOWS	9,053.71	5,246.79	8,291.45	5,399.69	7,812.71	5,058.13	6,455.52	4,179.21
13	TOTAL HQLA		28,976.25		26,816.35		24,524.60		23,278.27
14	TOTAL NET CASH OUTFLOWS		15,628.84		13,314.46		12,948.89		14,765.99
15	LIQUIDITY COVERAGE RATIO (%)		185.40%		201.41%		189.40%		157.65%

THE FEDERAL BANK LIMITED
SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (CONTD...)

The following table sets forth, the daily average of unweighted and weighted values for all the quarters in the year ended March 31, 2019
(₹ in Crore)

Particulars	Quarter ended March 31, 2019		Quarter ended December 31, 2018		Quarter ended September 30, 2018		Quarter ended June 30, 2018	
	Total Un-weighted Value	Total Weighted Value	Total Un-weighted Value	Total Weighted Value	Total Un-weighted Value	Total Weighted Value	Total Un-weighted Value	Total Weighted Value
High Quality Liquid Assets								
1 Total High Quality Liquid Assets (HQLA)		21,563.71		19,933.03		17,619.80		15,557.37
Cash outflows								
2 Retail deposits and deposits from small business customers, of which:	111,575.95	10,375.88	108,544.80	10,085.88	104,405.49	9,685.13	100,516.12	9,313.40
(i) Stable deposits	15,634.39	781.72	15,372.12	768.61	15,108.34	755.42	14,764.24	738.21
(ii) Less stable deposits	95,941.55	9,594.16	93,172.68	9,317.27	89,297.15	8,929.71	85,751.88	8,575.19
3 Unsecured wholesale funding, of which:	8,446.61	4,925.79	7,321.66	3,842.60	7,088.42	3,603.26	6,827.43	3,917.01
(i) Operational deposits (all counterparties)	-	-	-	-	-	-	-	-
(ii) Non-operational deposits (all counterparties)	8,446.61	4,925.79	7,321.66	3,842.60	7,088.42	3,603.26	6,827.43	3,917.01
(iii) Unsecured debt	-	-	-	-	-	-	-	-
4 Secured wholesale funding		-		-		-		-
5 Additional requirements, of which	7.83	7.83	17.53	17.53	3.02	3.02	4.52	4.52
(i) Outflows related to derivative exposures and other collateral requirements	7.83	7.83	17.53	17.53	3.02	3.02	4.52	4.52
(ii) Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
(iii) Credit and liquidity facilities	-	-	-	-	-	-	-	-
6 Other contractual funding obligations	20,179.39	1,968.52	19,441.07	1,953.23	18,449.07	1,904.60	17,883.84	1,821.54
7 Other contingent funding obligations	7,110.67	213.32	7,502.76	225.08	7,214.25	216.43	6,857.79	205.73
8 TOTAL CASH OUTFLOWS		17,491.34		16,124.32		15,412.44		15,262.20
Cash Inflows								
9 Secured lending (e.g. reverse repos)	152.78	-	385.11	-	738.01	-	744.41	-
10 Inflows from fully performing exposures	5,105.01	3,675.38	5,820.52	4,152.27	6,407.81	4,578.82	6,761.64	5,026.87
11 Other cash inflows	6.64	6.64	0.80	0.80	1.46	1.46	7.41	7.41
12 TOTAL CASH INFLOWS	5,264.42	3,682.02	6,206.43	4,153.07	7,147.28	4,580.28	7,513.45	5,034.28
13 TOTAL HQLA		21,563.71		19,933.03		17,619.80		15,557.37
14 TOTAL NET CASH OUTFLOWS		13,809.32		11,971.25		10,832.15		10,227.92
15 LIQUIDITY COVERAGE RATIO (%)		156.15%		166.51%		162.66%		152.11%

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

THE FEDERAL BANK LIMITED
SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (CONTD...)
b) Qualitative Disclosure

The Bank adheres to RBI guidelines on Liquidity Coverage Ratio, Liquidity Risk Monitoring Tools and the LCR Disclosure Standards pursuant to the Basel III Framework on Liquidity Standards that are applicable to banks in India with effect from January 1, 2015. Liquidity Coverage Ratio (LCR) promotes short-term resilience of banks to potential liquidity disruptions by ensuring that they have sufficient high quality liquid assets (HQLAs) to survive an acute stress scenario lasting for 30 days. LCR is computed on a daily basis from 1st January 2017. Bank has computed the LCR of the IFSC banking Unit at GIFT City on a standalone basis as per the extant guidelines. Bank has not computed LCR separately for any foreign currency since the aggregate liabilities denominated in any foreign currency doesn't amount to 5 percent or more of the Bank's total liabilities. Bank has consistently maintained LCR above 100% during Fiscal 2020, as against the regulatory minimum of 100%.

On an average, 98% of the HQLA maintained by the Bank comprises of Level 1 assets which is the most liquid asset category. Cash in hand, excess CRR and SLR, G-Sec within mandatory SLR requirement permitted by RBI under MSF (presently 2% of NDTL) and facility to avail liquidity ratio (presently 14.5% of NDTL) constitutes Level 1 HQLA. Level 2 Assets maintained by the Bank comprises of (a) marketable securities representing claims on or claims guaranteed by sovereigns, Public Sector Entities (PSEs) or multilateral development banks that are assigned a 20% risk weight under the Basel III Standardized Approach for credit risk and that are not issued by a bank/financial institution/NBFC or any of its affiliated entities and (b) Corporate bonds, not issued by a bank/financial institution/NBFC or any of its affiliated entities, which have been rated BBB- or above by an Eligible Credit Rating Agency. HQLA is also well diversified across various instruments and liquid asset types and should provide the Bank with adequate and timely liquidity.

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

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

3.19 Disclosure in respect of ILFS and ILFS entities.
March 31, 2020

For the year ended March 31, 2020, the disclosure is not required to be made as per RBI circular DBR.BP.BC.No.38/21.04.048/2018-19 dated May 8, 2019.

March 31, 2019

(₹ in Crore)

Amount Outstanding (1)	Of (1), total amount of exposures which are NPA as per IRAC norms and not classified as NPA (2)	Provisions required to be made as per IRAC norms (3)	Provision actually held (4)
246.20	32.37	4.86	21.03*

* This comprises of provision @ 15% on exposure, which is NPA as per IRAC norms and not classified as NPA and provision @ 7.5% on exposure, which is standard as per IRAC norms. In respect of balance exposure, the Bank is receiving due payment from tolls and annuities from the operating assets through an escrow account. The amount of ₹ 21.03 crore has been considered as provision for standard assets.

THE FEDERAL BANK LIMITED

SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (CONTD...)

4. Other Disclosures

4.1. Earnings per Share ('EPS')

Particulars	March 31, 2020	March 31, 2019
Weighted average number of equity shares used in computation of basic earnings per share (in 000's)	1,989,049	1,980,208
Weighted average number of equity shares used in computation of diluted earnings per share (in 000's)	2,004,059	1,992,628
Nominal Value of share (in ₹)	2.00	2.00
Basic earnings per share (in ₹)	7.76	6.28
Diluted earnings per share (in ₹)	7.70	6.24
Earnings used in the computation of basic and diluted earnings per share (₹ in '000)	15,427,811	12,438,883

4.2 A. Equity Issue

During the year ended March 31, 2020, the Bank has allotted 7,612,869 equity shares consequent to exercise of ESOS and 1,500 equity shares pertaining to Rights issue of 2007, which resulted in an increase of ₹ 1.52 Crore in Share Capital and ₹ 31.31 Crore in Share premium account.

During the year ended March 31, 2019, the Bank has allotted 12,905,764 equity shares consequent to exercise of ESOS which resulted in an increase of ₹ 2.58 Crore in Share Capital and ₹ 52.79 Crore in Share premium account.

B. Subscribed and paid up capital includes:

- 16,590 shares of ₹ 2/- each (Previous Year 16,590 shares of ₹ 2/- each) issued for consideration other than cash.
- 31,802,641 underlying equity shares of ₹ 2/- each (Previous Year 29,273,675 equity shares of ₹ 2/- each) held by custodian on behalf of holders of Global Depository Receipts (GDRs).

C. The following allotments are kept pending following orders from various courts

- Allotment of 6,530 shares of ₹ 2/- each (Previous year 6,530 shares of ₹ 2/- each) pertaining to the Right issue of 1993 issued at premium of ₹ 5/- per share
- 262,100 shares of ₹ 2/- each (Previous year 262,100 shares of ₹ 2/- per share) pertaining to the Rights issue of 1996 issued at a premium of ₹ 28/- per Share
- 1,074,165 equity shares of ₹ 2/- each (Previous year 1,075,665 shares of ₹ 2/- per share), at a premium of ₹ 48/- per share pertaining to Rights issue of 2007

Issue of certificates/credit in demat account in respect of the following Bonus issues are kept in abeyance consequent to injunction orders from various courts.

- 406,670 shares of ₹ 2/- each (Previous year 407,670 shares of ₹ 2/- each) out of the Bonus issue of 2004 and
- 612,005 bonus shares of ₹ 2/- each (Previous year 613,505 bonus shares of ₹ 2/- each), out of the Bonus issue of 2015.

THE FEDERAL BANK LIMITED
SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (CONTD...)
D. Employee Stock Option Scheme ("ESOS"):
(i) Employee Stock Option Scheme 2010 (ESOS 2010)

Shareholders of the bank had approved Employee Stock Option Scheme 2010 (ESOS 2010) through postal ballot, the result of which was announced on December 24, 2010, enabling the Board and/or the "Compensation Committee" to grant such number of equity shares, including options, of the Bank not exceeding 5% of the aggregate number of paid up equity shares of the Bank, in line with the guidelines of SEBI. Pursuant thereto, the Compensation Committee of the bank granted the following options:

	Number of Options	
	March 31, 2020	March 31, 2019
Outstanding at the beginning of the year	24,147,513	38,476,532
Surrendered during the year	-	-
Granted during the year	-	-
Exercised during the year	7,123,602	12,903,339
Forfeited/lapsed during the year	966,570	1,425,680
Outstanding at the end of the year	16,057,341	24,147,513
Options exercisable	15,897,341	23,640,013

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 May 10, 2012 decided to adopt 'Intrinsic value method' for accounting of ESOS, in terms of the power vested on them as per the resolution of EGM dated December 24, 2010.

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.

ii) Employee Stock Option Scheme 2017 (ESOS 2017)

Shareholders of the bank had approved The Federal Bank Limited Employee Stock Option Scheme 2017 (ESOS 2017) AGM held on July 14, 2017, as a Special Resolution, enabling the Board and/or the "Compensation Committee" to grant such number of equity shares, including options, of the Bank not exceeding 5% of the aggregate number of paid up equity shares of the Bank, in line with the guidelines of SEBI. Pursuant thereto, the Compensation Committee of the bank granted the following options:

	Number of Options	
	March 31, 2020	March 31, 2019
Outstanding at the beginning of the year	50,336,281	15,770,539
Surrendered during the year	-	-
Granted during the year	30,522,736	37,231,307
Exercised during the year	489,267	2,425
Forfeited/lapsed during the year	3,141,840	2,663,140
Outstanding at the end of the year	77,227,910	50,336,281
Options exercisable	28,840,450	7,766,862

As per SEBI guidelines the accounting for ESOS can be done either under the 'Intrinsic value basis' or 'Fair value basis'. As per the approval of shareholders, the Bank has adopted 'Intrinsic value method' for accounting of ESOS.

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.

THE FEDERAL BANK LIMITED

SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (CONTD...)

iii) Effect of Fair value method of accounting ESOP:

If "Fair Value Method" had been adopted based on "Black-Scholes pricing model" for pricing and accounting of options, net profit would be lower by ₹ 56.49 Crore (Previous Year: ₹ 70.36 Crore). The modified basic and diluted earnings per share for the year, had the Bank followed Fair Value Method of accounting for ESOS compensation cost would be ₹ 7.47 and ₹ 7.42 (Previous Year: ₹ 5.93 and ₹ 5.80) respectively.

E. Proposed Dividend and Tax on Proposed Dividend

The Reserve Bank of India, vide its circular dated April 17, 2020, has directed that banks shall not make any further dividend payouts from profits pertaining to the financial year ended March 31, 2020 until further instructions, with a view that banks must conserve capital in an environment of heightened uncertainty caused by COVID-19 pandemic. Accordingly, the Board of Directors of the Bank have not recommended any dividend for the year 2019-20 (Previous Year 70% i.e ₹1.40/- per Equity Share)

4.3. Fixed Assets:

A) Fixed Assets as per Schedule 10 include Intangible Assets relating to Software and System Development Expenditure which are as follows: (₹ in Crore)

Particulars	March 31, 2020	March 31, 2019
Gross Block		
At the beginning of the year	248.75	205.50
Additions during the year	26.57	43.25
Deductions / Adjustments during the year	24.65	-
At the end of the year	250.67	248.75
Depreciation / Amortisation		
At the beginning of the year	190.50	153.37
Charge for the year	35.77	37.13
Deductions / Adjustments during the year	24.65	-
Depreciation to date	201.62	190.50
Net Block	49.05	58.25

B) Revaluation of Fixed Assets

During the year 1995-96, the appreciation of ₹ 9.65 Crore in the value of land and buildings consequent upon revaluation by approved valuer was credited to Revaluation Reserve. There has been no revaluation of assets during the year ended March 31, 2020 and March 31, 2019.

4.4. Operating Leases:

Lease payments for assets taken on operating lease are recognised as an expense in the Profit and Loss Account as per the lease terms. During the year an amount of ₹ 164.88 Crore (Previous year: ₹154.67 Crore) was charged to Profit and loss account.

THE FEDERAL BANK LIMITED
SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (CONTD...)
4.5 Provisions and Contingencies
a) Movement in provision for non-credit related* frauds included under other liabilities:

(₹ in Crore)

	March 31, 2020	March 31, 2019
Opening balance at the beginning of the year	4.46	4.71
Additions during the year	1.37	0.31
Reductions during the year	0.07	0.56
Balance at the end of the year	5.76	4.46

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

b) Movement in provision for debit card reward points:

(₹ in Crore)

	March 31, 2020	March 31, 2019
Opening provision at the beginning of the year	5.19	4.60
Provision made during the year	36.49	15.61
Reductions during the year	26.10	15.02
Closing provision at the end of the year *	15.58	5.19

* The closing provision is based on the actuarial valuation of accumulated debit card reward points. This amount will be utilized towards redemption of the debit card reward points.

c) Movement in provision for other contingencies:

(₹ in Crore)

	March 31, 2020	March 31, 2019
Opening provision at the beginning of the year	55.49	66.44
Provision made during the year	3.57	4.58
Provision utilized for Write off during the year	1.04	1.14
Reductions during the year	26.74	14.39
Closing provision at the end of the year	31.28	55.49

Provision maintained towards Funded Interest Term Loans is also included in the movement in provision for other contingencies during the year ended March 31, 2020 for better presentation. Previous year figure have been revised to conform to current year's presentation.

4.6 Amount of Provisions made for income-tax during the year

(₹ in Crore)

Particulars	Year ended March 31, 2020	Year ended March 31, 2019
Provision for Income tax		
a) Current tax	562.46	687.64
b) Deferred tax	(72.71)	(24.28)
Total	489.75	663.36

4.7 Description of contingent liabilities:
a) Claims against the Bank not acknowledged as debts

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

THE FEDERAL BANK LIMITED

SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (CONTD...)

b) Liability on account of forward exchange and derivative contracts

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

c) Guarantees given on behalf of constituents

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

d) Acceptances, endorsements and other obligations

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

e) Other items for which the bank is contingently liable

Includes Capital commitments and amount transferred to RBI under the Depositor Education and Awareness (DEA) Fund (Refer shedule 12 for amount relating to contingent liability).

4.8 Provisioning Pertaining to Fraud Accounts

Particulars	March 31, 2020	March 31, 2019
No. of frauds reported during the year	589	96
Amount involved in fraud (₹ in crore)	196.70	175.60
Amount involved in fraud net of recoveries/write offs/unrealised interest as at the end of the year (₹ in crore)	27.32	35.82
Provision made during the year (₹ in crore)	25.21	35.82
Provision held as at the end of the year for the above accounts (₹ in crore)	27.32	35.82
Amount of unamortised provision debited from "other reserves" as at the end of the year (₹ in crore)	-	-

4.9 Inter-bank participation with risk sharing

The aggregate amount of participation purchased by the Bank, shown as advances as per regulatory guidelines, outstanding as of March 31, 2020 was ₹ 1,556.22 Crore (Previous Year: ₹ 2,672.22 Crore).

The aggregate amount of the participation issued by the Bank, reduced from advances as per regulatory guidelines, outstanding as of March 31, 2020 was ₹ 450.00 Crore (Previous Year: ₹ 973.73 Crore).

4.10 Factoring Exposure

The factoring exposure of the Bank as on March 31, 2020 is ₹ Nil (Previous Year: ₹ 409.03 Crore)

THE FEDERAL BANK LIMITED
SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (CONTD...)
4.11 Priority Sector Lending Certificates (PSLC)

As per RBI Circular FIDD.CO.Plan.BC.23/04.09.01/2015-16 dated April 7, 2016 the PSLCs purchased and sold is given below: (₹ in Crore)

Particulars	March 31, 2020		March 31, 2019	
	Purchased (Face value)	Sold (Face value)	Purchased (Face value)	Sold (Face value)
PSLC – Agriculture	-	-	-	-
PSLC – SF/MF	-	-	-	-
PSLC – Micro Enterprises	-	-	-	-
PSLC - General	-	-	3,750	-

4.12 Provision for Long Term contracts

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

4.13 Corporate Social Responsibility (CSR)

Operating Expenses include ₹ 42.40 Crores (Previous year: ₹ 17.04 Crore) for the year ended March 31,2020 towards Corporate Social Responsibility (CSR), in accordance with Companies Act, 2013.

The Bank has spent 2.79% (previous year: 1.52%) of its average net profit for the last three financial years as part of its CSR for the year ended March 31, 2020. As a responsible Bank, it has approached the mandatory requirements of CSR spend positively by utilizing the reporting year to lay required foundation on which to build and scale future projects and partnerships. The Bank Continues to evaluate strategic avenues for CSR expenditure in order to deliver maximum impact. In the years to come, the Bank will further strengthen its processes as per requirement.

The details of amount spent during the respective year towards CSR are as under:

(₹ in Crore)

SI No	Particulars	March 31,2020			March 31,2019		
		Amount spent	Amount unpaid/ Provision	Total	Amount spent	Amount unpaid/ Provision	Total
1	Construction / acquisition of any asset	-	-	-	-	-	-
2	On purpose other than (1) above	42.40*	-	42.40*	17.04	-	17.04

*including unspent portion of FY 2015-16 ₹ 13.88 Crore fully spent in FY 2019-20

4.14 Investor education and protection fund

There has been no delay in transferring amounts, required to be transferred to the Investor Education and Protection Fund by the Bank.

THE FEDERAL BANK LIMITED

SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (CONTD...)

4.15 Small and Micro Industries

Under the Micro, Small and Medium Enterprises Development Act, 2006 which came into force from October 2, 2006, certain disclosures are required to be made relating to Micro, Small and Medium enterprises. There have been no reported cases of delays in payments to micro and small enterprises or of interest payments due to delays in such payments. The above is based on the information available with the Bank which has been relied upon by the auditors.

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

		For and on behalf of the Board of Directors	
Krishnakumar K Senior Vice President	Samir P Rajdev Company Secretary	Ashutosh Khajuria Executive Director & CFO (DIN:05154975)	Shalini Warriar Executive Director (DIN: 08257526)
		Grace Elizabeth Koshie Chairperson (DIN: 06765216)	Shyam Srinivasan Managing Director & CEO (DIN:02274773)
As per our report of even date		<u>Directors:</u>	
For B S R & Co. LLP Chartered Accountants Firm's Reg.No: 101248W/W-100022	For M. M. Nissim & Co. Chartered Accountants Firm's Registration No: 107122W	Shubhalakshmi Panse C Balagopal A P Hota K Balakrishnan Siddhartha Sengupta Manoj Fadnis Sudarshan Sen	(DIN : 02599310) (DIN : 00430938) (DIN : 02593219) (DIN : 00034031) (DIN : 08467648) (DIN : 01087055) (DIN : 03570051)
Akeel Master Partner Membership No.046768 Place: Mumbai	Varun P Kothari Partner Membership No. 115089 Place: Mumbai		
Place: Kochi Date : May 28, 2020			

DEBIT CARD EMI

Federal Bank Debit Card EMI has become the **FIRST CHOICE** for customers who don't want their account balance to set their shopping limits. Debit Card EMI can be opted through POS (Point of Sale) terminals in select stores and through select E-Commerce platforms with Amazon being one among them. Customers can opt for tenures ranging between 3 to 12 months based on their eligibility. Zero documentation, zero processing fee and easy repayment process are the added advantages. Customers can also purchase 2 wheelers using Debit Card EMI, without the hassle of hypothecation and high processing fees.



BASEL III – PILLAR 3 DISCLOSURES AS ON 31st MARCH 2020

SCOPE OF APPLICATION AND CAPITAL ADEQUACY

I. Table DF- 1 SCOPE OF APPLICATION

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

Qualitative Disclosures

a) List of group entities considered for consolidation

Name of the entity / Country of incorporation	Whether the entity is included under accounting scope of consolidation (yes / no)	Explain the method of consolidation	Whether the entity is included under regulatory scope of consolidation (yes / no)	Explain the method of consolidation	Explain the reasons for difference in the method of consolidation	Explain the reasons if consolidated under only one of the scopes of consolidation
Fedbank Financial Services Ltd. India	YES	AS 21	YES	AS 21	NA	NA
IIDBI 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
Equirus Capital Private Ltd	YES	AS 23	YES	AS 23	NA	NA
Federal Operations and Services Limited	YES	AS 21	YES	AS 21	NA	NA

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

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

Quantitative Disclosures

c) List of group entities considered for consolidation

(Amount in ₹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.	6,933.24	40,281.38
Equirus Capital Private Ltd	The Company is engaged in investment banking. The company caters to both domestic and international market.	418.36	646.17
Federal Operations and Services Limited	FedServ will carry out all the operational activities of the Bank including but not limited to accounts service division, payment settlement division, trade finance division, treasury back end section, contact center operations, IT support etc	109.80	136.93

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	9,068.20	26%	CRAR will reduce by 0.13% 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

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

- 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.
- Capital requirement for current business levels and estimated future business levels are assessed on a periodic basis.
- The minimum capital required to be maintained by the Bank (including CCB) for the period ended March 31, 2020 is 10.875%. The given minimum capital requirement includes capital conservation buffer of 1.875%. Bank's CRAR is above the regulatory minimum as stipulated in Basel III Capital Regulations.

2	Quantitative disclosures (Solo Bank)	(Amount in ₹Mn.)	
2.1	Capital requirements for Credit risk	81799.82	
	Portfolios subject to Standardized approach	81799.82	
	Securitization exposures	0.00	
2.2	Capital requirements for Market risk (Standardized duration approach)	5563.95	
	Interest rate risk	1979.78	
	Foreign exchange risk (including gold)	253.13	
	Equity risk	3331.04	
2.3	Capital requirements for Operational risk	7843.58	
	Basic Indicator Approach	7843.58	
	Total Capital Requirements	95207.35	
2.4	Common Equity Tier 1, Tier 1 & Total Capital Ratios	Standalone	Consolidated
	Common Equity Tier 1 capital ratio	13.29	13.58
	Tier 1 capital ratio	13.29	13.58
	Total capital ratio	14.35	14.63

RISK EXPOSURE AND ASSESSMENT

1.	<p>Credit risk</p> <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> <ol style="list-style-type: none"> Defined segment exposures delineated into Business Banking, Commercial Banking, Corporate, Retail and Agri advances. Industry wise segment ceilings on aggregate lending by Bank across Branches. Individual borrower wise and borrower group wise lending ceilings linked as a percentage to the Bank's capital funds as at the end of the previous year. Borrowers are subjected to credit rating and loans are granted only to those borrowers falling within defined thresholds of risk levels; the approach also includes diversification of borrowers within defined thresholds of risk levels. The business of the Bank is within India including the IFSC branch located in GIFT City, Gujarat. In respect of certain industries; ceiling has been fixed for specific geographies with a view to contain Concentration risk. In respect of cross border trade which would involve exposures to banks and financial institutions located outside India, there is a geographic cap on exposures apart from cap on individual bank / institution. Bank has also fixed ceiling for its foreign currency exposures. Bank has adopted a well-defined approach for sourcing and underwriting loan proposals. Proper due diligence is carried out while sourcing fresh credit limits. Credit sanctioning powers are granted as per Credit Delegation Policy based upon the amount and riskiness of the exposure. Regular review of all credit policies including exposure ceilings with due approval of Bank's Board of Directors. Credit hub system is put in place to enhance quality of credit appraisal and underwriting process. Specialized Credit Advisory Teams operating at strategic locations to streamline and monitor credit processes within the credit hubs, evaluate and chart action plans to act on EWS, conduct unit visit of stressed account and formulate other measures to maintain standard health classification of credit exposures. Dedicated Credit Monitoring Department at national level and other key geographies to monitor / follow up of performance of loans and advances. Credit Administration Department at central level and at other key geographies to ensure compliance of documentation formalities and submission of post credit monitoring reports / compliance of sanction order covenants. Robust statistical score cards used for retail credit appraisal process. Bank also uses the Behavioral / transactional models for monitoring and timely intervention of retail borrowers. Model validation done on yearly basis to assess the discriminatory power of the model and to understand the calibration and the stability of the rating. Bank has laid down appropriate mechanism for ongoing identification, development and assessment of expertise of officials in the area of credit appraisal, underwriting and credit management functions. Internal credit rating of all credit proposals above ₹10 Crores is confirmed by Integrated Risk Management Department. <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 operationalized 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. Risk Management Committee of the Board oversees Bank wide risk management and senior executive level Credit Risk Management Committee monitors adherence to policy prescriptions and regulatory directions. CRMC of the Bank meets at least once in a quarter (subject to minimum of 6 meetings in a year) to take stock of Bank's credit risk profile based on the reports placed by Credit Risk Division of Integrated Risk Management Department.</p> <p>Bank has put in place a detailed Loan Policy spelling out various aspects of Credit dispensation and Credit administration. Loan policy stipulates measures for avoiding concentration risk by setting prudential limits and caps on sector wise, rating grade wise, and customer-constitution wise exposure. CRM policy gives specific instructions on valuation of collaterals. Bank has also put in place guidelines on fixing and monitoring of exposure ceilings to contain risk in credit and investment exposures.</p>
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	<p>Scope and nature of risk reporting / measurement systems:</p> <p>Bank has implemented comprehensive risk rating system that serves as a single point indicator of diverse risk factors of counterparty and for taking credit decisions in a consistent manner. Risk rating is made applicable for all loan accounts irrespective of amount, whether funded or non-funded. However, staff loans and loan against liquid securities are exempted from rating. Bank uses different rating models which are two dimensional, viz obligor rating and facility rating. Risk rating models are drawn up in a structured manner, incorporating different factors such as borrower specific characteristics, industry specific characteristics, financials, securities offered etc.</p> <p>Bank has specific rating models capable of rating large corporates, traders, SME, NonBanking Finance Companies (NBFCs), real estate and service sector clients. Retail advances, small value loans and retail agriculture loans are rated using applicable score cards. Transactional / behavioral scorecards have been developed for all major retail portfolios and is used for monitoring the performance of the borrower post onboarding. All rating models are subjected to annual validation by objectively assessing the discriminatory power, calibration accuracy and stability of ratings.</p> <p>Rating process and rating output are used by the Bank in sanction and pricing of its exposures. Bank also conducts annual review of credit rating of its exposures and the findings are used in annual rating migration study and portfolio evaluation for exposures of above ₹2 Cr.</p> <p>Credit facilities are sanctioned at various levels in accordance with the delegation policy approved by the Board. Bank has generally adopted a committee approach for credit sanction. Credit rating assigned by an official is also subjected to confirmation by another official. Credit audit is being conducted at specified intervals. Credit risk mitigation techniques are resorted to contain the risk at the minimum level.</p>
	<p>Policies for hedging / mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges/ mitigans:</p> <p>Bank's Credit Risk Management Policy stipulates various tools for mitigation of credit risk and collateral management. Investment Policy of the Bank covers risk related to investment activities of the Bank and it prescribes prudential limits, methods of risk measurement, and hedges required in mitigation of risk arising in investment portfolio. Risk Management Committee of the Board and executive level Credit Risk Management Committee monitor, discuss, evaluate and review risk mitigation levels and effectiveness of mitigation measures.</p> <p>Risk rating process by itself is an integral part of the process for selection of clients and sanction of credit facilities. Exercise of delegation for sanction of fresh loans or renewal / review of existing exposure by field level functionaries is permitted only for borrowers above a threshold rating grade. Entry-level restrictions are further tightened in certain sectors where market signals need for extra caution</p>
<p>2.</p>	<p>Market risk</p>
	<p>Strategies and processes:</p> <p>Market risk is monitored through various risk limits set vide Board approved Market Risk Management Policy. Detailed policies like Asset Liability Management Policy, Investment, Derivatives and Forex policy, Market Risk Management Policy etc. are put in place for the conduct of business exposed to Market risk and also for effective management of all market risk exposures.</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 of the Board oversees bank-wide risk management. Asset Liability Management Committee (ALCO), also known as Market Risk Management Committee, is primarily responsible for establishing Market Risk Management and Asset Liability Management in the Bank. ALCO is responsible for implementing risk management guidelines issued by the regulator, leading risk management practices followed globally and monitoring adherence to the internal parameters, procedures, practices / policies and risk management prudential limits.</p> <p>Independent Mid office, which forms a part of Market Risk Division of IRMD, is operational in the floor of Bank's Treasury for onsite monitoring of Treasury functions. The Mid office conducts market risk management functions like onsite monitoring of adherence to set limits, independent valuation and reporting of activities. It also computes capital charge for market risk and VaR of market portfolios on a daily basis. This separate desk monitors market / operational risks in Bank's Treasury/ Forex operations on a daily basis and reports directly to the Head-Risk & Chief Risk Officer.</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. Non-SLR investment exposures are subjected to credit rating. Limits for exposures to counterparties, industries and countries are monitored and risks are controlled through Stop Loss Limits, Overnight Limit, Daylight Limit, Aggregate Gap Limit, Individual Gap Limit, Inter-Bank dealing and investment limits etc. Parameters like Modified Duration, VaR etc. are used for Risk management and reporting.</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 Statements of Structural Liquidity and Short-Term Dynamic Liquidity. The liquidity profile of the Bank is measured on static and dynamic basis using the Statements of Structural Liquidity and Short-term Dynamic Liquidity, respectively. Structural liquidity position is assessed on a daily basis and Dynamic liquidity position is assessed on a monthly basis.</p> <p>Additional prudential limits on liquidity risk fixed as per ALM policy of the Bank are monitored by ALCO on a monthly basis. Interest rate risk is 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>Bank is computing LCR (Liquidity Coverage Ratio) on a daily basis and NSFR (Net stable funding ratio) on a quarterly basis. Advanced techniques such as Stress testing, sensitivity analysis etc. are conducted periodically to assess the impact of various contingencies..</p>
3.	Operational risk
	<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. A comprehensive bank-wide Business Continuity Plan is put in place to ensure continuity of critical operations of the Bank covering all identified disasters. Robust information and cyber security frameworks are established for securing the IT infrastructure and systems of the Bank.</p>
	<p>Structure and organization of risk management function:</p> <p>Risk Management Committee of the Board oversees Bank-wide risk management. Bank has put in place a 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. Executive level Information Security Committee is responsible for implementation of strategies and policies for protection of all information assets of the Bank.</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. Bank has established a separate accounting procedure for operational risk events to enhance transparency and to enable effective monitoring of loss events. The operational risk loss data is consolidated, analyzed and reported to the Operational Risk Management Committee at least on a quarterly basis. Bank is identifying and assessing operational risk through Risk and Control Self Assessments (RCSA) and monitoring of Key Risk Indicators (KRI).</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 against various operational risk losses. New products and processes or any modifications to existing products and processes are vetted to identify and understand the nature and degree of the risks the Bank would be exposed to and checks and controls are implemented to mitigate the risks. To evaluate the effectiveness of the business continuity arrangements, periodic drills and tests are conducted.</p>
4.	Interest rate risk in Banking Book
	<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. Market Risk Management Policy takes care of the management of Interest rate risk in the Trading Book of the Bank.</p>
	<p>Scope and nature of risk reporting / measurement systems:</p> <p>Interest rate risk in Banking Book is assessed and Modified Duration of Equity is evaluated on a monthly basis. The likely drop in Market Value of Equity for 200 bps change in interest rates is computed and benchmarked under the Internal Capital Adequacy Assessment Process for computation of Pillar II capital charge for Interest Rate Risk. Earnings at Risk based on Traditional Gap Analysis are calculated on a monthly basis. The results of Duration Gap Analysis as well as that of Traditional Gap Analysis including the adherence to tolerance limit set in this regard is monitored and is placed before ALCO / 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 Forex and Derivative Policy, ALM Policy and Market Risk Management Policy. Risk profiles are analyzed and mitigating strategies/ hedging process are suggested and operationalized by Treasury Department with the approval of Senior Level Committees.</p>
	<p>Structure and organization of Bank’s risk management function</p> <p>Bank has put in place an organizational framework for Bank-wide management of risk on integrated basis. The structure ensures coordinated process for measuring and managing all material risks on an enterprise-wide basis to achieve organizational goals. The structure assures adherence to regulatory stipulations. The structure is designed in tune with the regulatory guidelines.</p> <p>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 adequate infrastructure for risk management. The Committee meets regularly and reviews reports placed on various risk areas.</p> <p>There are four support committees of senior executives (CRMC, ALCO also known as MRMCM, ORMC & ISC) 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. ALCO meets at least once in a month and CRMC, ISC & ORMC meet at least once in a quarter. Depending on requirement, ALCO meets at shorter frequencies.</p> <p>Integrated Risk Management 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. IRMD has three divisions; Credit Risk Division, Market Risk Division and Operational Risk Division. Division Heads report to the Head-Risk & Chief Risk Officer who reports directly to the Managing Director & CEO.</p>

TABLE DF – 3: CREDIT RISK: GENERAL DISCLOSURES

<p>1.</p>	<p>Qualitative disclosures</p>
	<p>Definitions of past due and impaired (for accounting purposes):</p> <p><u>1. Non-Performing Assets</u></p> <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"> Interest and/ or instalment of principal remain overdue for a period of more than 90 days in respect of a term loan. The account remains ‘Out of order’ as indicated in paragraph 2 below, in respect of an Overdraft / Cash Credit (OD/CC). The bill remains overdue for a period of more than 90 days in case of bills purchased and discounted. The instalment of principal or interest thereon remains overdue for two crop seasons for short duration crops. The instalment of principal or interest thereon remains overdue for one crop season for long duration crops

<p><u>2. 'Out of Order' status</u></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. '<u>Overdue</u>'</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><u>4. Special Mention Accounts</u></p> <p>As prescribed by RBI, the Bank is required to identify incipient stress in the account by creating a Sub Asset category named as 'Special Mention Accounts' (SMA). It is considered as a corrective action plan to arrest slippages of standard assets to NPA. Accordingly, Bank is identifying three sub categories under SMA as below:</p> <table border="1" data-bbox="217 684 1419 862"> <thead> <tr> <th>SMA Sub-categories</th> <th>Basis for classification - Principal or interest payment or any other amount wholly or partly overdue between</th> </tr> </thead> <tbody> <tr> <td>SMA-0</td> <td>1 - 30 days</td> </tr> <tr> <td>SMA-1</td> <td>31 - 60 days</td> </tr> <tr> <td>SMA-2</td> <td>61 - 90 days</td> </tr> </tbody> </table> <p>In the case of revolving credit facilities like cash credit, the SMA sub-categories will be as follows</p> <table border="1" data-bbox="217 909 1419 1052"> <thead> <tr> <th>SMA Sub-categories</th> <th>Basis for classification – Outstanding balance remains continuously in excess of the sanctioned limit or drawing power, whichever is lower, for a period of:</th> </tr> </thead> <tbody> <tr> <td>SMA-1</td> <td>31- 60 days</td> </tr> <tr> <td>SMA-2</td> <td>61 – 90 days</td> </tr> </tbody> </table>	SMA Sub-categories	Basis for classification - Principal or interest payment or any other amount wholly or partly overdue between	SMA-0	1 - 30 days	SMA-1	31 - 60 days	SMA-2	61 - 90 days	SMA Sub-categories	Basis for classification – Outstanding balance remains continuously in excess of the sanctioned limit or drawing power, whichever is lower, for a period of:	SMA-1	31- 60 days	SMA-2	61 – 90 days
SMA Sub-categories	Basis for classification - Principal or interest payment or any other amount wholly or partly overdue between													
SMA-0	1 - 30 days													
SMA-1	31 - 60 days													
SMA-2	61 - 90 days													
SMA Sub-categories	Basis for classification – Outstanding balance remains continuously in excess of the sanctioned limit or drawing power, whichever is lower, for a period of:													
SMA-1	31- 60 days													
SMA-2	61 – 90 days													
<p>Credit Risk</p> <ol style="list-style-type: none"> Inability or unwillingness of the counterparty to pay interest, repay principal or otherwise to fulfil their contractual obligations under loan agreements or other credit facilities. Downgrading of counterparties whose credit instruments, the Bank may be holding, causing the value of those assets to fall. Settlement Risk (possibility that the Bank may pay counterparty and fail to receive the corresponding settlement in return). <p>RBI vide its notification dated 18/04/2017 directed Banks to identify stressed sectors in the economy through periodic review and to make additional provision for standard advances to stressed sectors. Accordingly, Bank has identified Telecom, Power sector (Thermal & Renewable/ Non - Conventional) and Roads – Infrastructure as stressed sectors and standard asset provision at higher rates are made for low rated exposures in the sector.</p>														
<p>Discussion of the Bank's Credit Risk Management Policy:</p> <p>Bank has put in place a detailed Credit Risk Management Policy. The objective 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. The policy deals with the structure, framework and processes for effective management of inherent credit risk</p>														

Quantitative disclosures

	Fund based exposure*	Non-fund based exposure**	Total
Total gross credit risk exposures (after accounting offsets in accordance with the applicable accounting regime and without taking into account the effects of credit risk mitigation techniques)	1439817.85	113809.79	1553627.64
Geographic distribution of exposures (same basis as adopted for segment reporting adopted for compliance with AS 17)			
Overseas	18988.09	0.00	18988.09
Domestic	1420829.76	113809.79	1534639.55

*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 Name	Total Credit Exposure Funded	Total Credit Exposure Non-Funded	Total Credit Exposure (Funded and Non-Funded)	% to Gross Credit Exposure
A. Mining and Quarrying	6134.42	97.00	6231.43	0.40%
A.1 Coal	74.51	0.20	74.71	0.00%
A.2 Others	6059.92	96.80	6156.72	0.40%
B. Food Processing	17136.18	5595.76	22731.94	1.46%
B.1 Sugar	4005.03	3.68	4008.71	0.26%
B.2 Edible Oils and Vanaspati	1421.91	4216.00	5637.91	0.36%
B.3 Tea	544.89	18.88	563.77	0.04%
B.4 Coffee	355.56	3.69	359.24	0.02%
B.5 Others	10808.79	1353.52	12162.31	0.78%
C. Beverages (excluding Tea & Coffee) and Tobacco	4192.21	8.34	4200.55	0.27%
C.1 Tobacco and tobacco products	221.26	0.00	221.26	0.01%
C.2 Others	3970.95	8.34	3979.29	0.26%
D. Textiles	27933.93	1696.06	29629.99	1.91%
D.1 Cotton	9141.95	794.83	9936.78	0.64%
D.2 Jute	184.00	122.55	306.56	0.02%
D.3 Man-made	0.00	0.00	0.00	0.00%
D.4 Others	18607.99	778.68	19386.66	1.25%
Out of D (i.e., Total Textiles) to Spinning Mills	3809.71	7.52	3817.23	0.25%
E. Leather and Leather products	1330.64	91.36	1421.99	0.09%
F. Wood and Wood Products	4716.28	612.98	5329.26	0.34%
G. Paper and Paper Products	8450.94	487.30	8938.23	0.58%
H. Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels	11914.82	3734.09	15648.91	1.01%
I. Chemicals and Chemical Products (Dyes, Paints, etc.)	33502.08	2357.62	35859.71	2.31%
I.1 Fertilizers	9026.64	40.41	9067.05	0.58%

I.2 Drugs and Pharmaceuticals	8342.03	490.85	8832.88	0.57%
I.3 Petro-chemicals (excluding under Infrastructure)	0.00	0.00	0.00	0.00%
I.4 Others	16133.41	1826.36	17959.78	1.16%
J. Rubber, Plastic and their Products	16446.25	4993.38	21439.62	1.38%
K. Glass & Glassware	3936.07	309.28	4245.35	0.27%
L. Cement and Cement Products	10253.40	108.25	10361.65	0.67%
M. Basic Metal and Metal Products	25425.85	4522.90	29948.75	1.93%
M.1 Iron and Steel	15702.44	2329.50	18031.94	1.16%
M.2 Other Metal and Metal Products	9723.41	2193.41	11916.81	0.77%
N. All Engineering	22905.90	9139.93	32045.84	2.06%
N.1 Electronics	1460.75	902.32	2363.07	0.15%
N.2 Others	21445.15	8237.62	29682.77	1.91%
O. Vehicles, Vehicle Parts and Transport Equipments	22165.16	3405.41	25570.57	1.65%
P. Gems and Jewellery	6809.88	44.61	6854.49	0.44%
Q. Construction	24103.22	17030.17	41133.39	2.65%
R. Infrastructure	118731.71	19616.76	138348.48	8.90%*
R.a Transport (a.1 to a.6)	9900.89	446.10	10346.99	0.67%
R.a.1 Roads and Bridges	2291.34	40.04	2331.38	0.15%
R.a.2 Ports	291.42	27.29	318.72	0.02%
R.a.3 Inland Waterways	0.00	0.00	0.00	0.00%
R.a.4 Airport	7317.83	346.16	7664.00	0.49%
R.a.5 Railway Track, tunnels, viaducts, bridges	0.00	0.00	0.00	0.00%
R.a.6 Urban Public Transport (except rolling stock in case of urban road transport)	0.00	32.60	32.60	0.00%
R.a.7 Shipyards	0.00	0.00	0.00	0.00%
R.a.8 Logistics Infrastructure	0.29	0.00	0.29	0.00%
R.b. Energy (b.1 to b.6)	45048.05	2424.46	47472.51	3.06%
R.b.1 Electricity Generation	30467.18	973.40	31440.58	2.02%
R.b.1.1 Central Govt PSUs	20561.18	0.00	20561.18	1.32%
R.b.1.2 State Govt PSUs (incl. SEBs)	0.00	0.00	0.00	0.00%
R.b.1.3 Private Sector	9906.01	973.40	10879.40	0.70%
R.b.2 Electricity Transmission	9000.00	1019.33	10019.33	0.64%
R.b.2.1 Central Govt PSUs	7000.00	0.00	7000.00	0.45%
R.b.2.2 State Govt PSUs (incl. SEBs)	0.00	0.00	0.00	0.00%
R.b.2.3 Private Sector	2000.00	1019.33	3019.33	0.19%
R.b.3 Electricity Distribution	5580.87	431.73	6012.60	0.39%
R.b.3.1 Central Govt PSUs	0.00	0.00	0.00	0.00%
R.b.3.2 State Govt PSUs (incl. SEBs)	4847.31	0.00	4847.31	0.31%
R.b.3.3 Private Sector	733.56	431.73	1165.29	0.08%
R.b.4 Oil Pipelines	0.00	0.00	0.00	0.00%
R.b.5 Oil/Gas/Liquefied Natural Gas (LNG) storage facility	0.00	0.00	0.00	0.00%
R.b.6 Gas Pipelines	0.00	0.00	0.00	0.00%

R.c. Water and Sanitation (c.1 to c.7)	30.39	18.97	49.36	0.00%
R.c.1 Solid Waste Management	7.90	18.97	26.87	0.00%
R.c.2 Water supply pipelines	14.54	0.00	14.54	0.00%
R.c.3 Water treatment plants	0.00	0.00	0.00	0.00%
R.c.4 Sewage collection, treatment and disposal system	0.00	0.00	0.00	0.00%
R.c.5 Irrigation (dams, channels, embankments etc)	7.95	0.00	7.95	0.00%
R.c.6 Storm Water Drainage System	0.00	0.00	0.00	0.00%
R.c.7 Slurry Pipelines	0.00	0.00	0.00	0.00%
R.d. Communication (d.1 to d.3)	14780.48	138.05	14918.53	0.96%
R.d.1 Telecommunication (Fixed network)	79.16	32.49	111.64	0.01%
R.d.2 Telecommunication towers	674.11	104.81	778.92	0.05%
R.d.3 Telecommunication and Telecom Services	14027.21	0.75	14027.96	0.90%
R.e. Social and Commercial Infrastructure (e.1 to e.9)	15054.72	666.03	15720.75	1.01%
R.e.1 Education Institutions (capital stock)	8112.71	146.47	8259.18	0.53%
R.e.2 Hospitals (capital stock)	3047.04	483.81	3530.85	0.23%
R.e.3 Three-star or higher category classified hotels located outside cities with population of more than 1 million	3888.47	35.75	3924.22	0.25%
R.e.4 Common infrastructure for industrial parks, SEZ, tourism facilities and agriculture markets	0.00	0.00	0.00	0.00%
R.e.5 Fertilizer (Capital investment)	0.00	0.00	0.00	0.00%
R.e.6 Post harvest storage infrastructure for agriculture and horticultural produce including cold storage	0.00	0.00	0.00	0.00%
R.e.7 Terminal markets	0.00	0.00	0.00	0.00%
R.e.8 Soil-testing laboratories	0.00	0.00	0.00	0.00%
R.e.9 Cold Chain	0.00	0.00	0.00	0.00%
R.e.10 Sports Infrastructure	5.81	0.00	5.81	0.00%
R.e.11 Tourism - Ropeways and Cable Cars	0.70	0.00	0.70	0.00%
R.e.12 Affordable Housing	0.00	0.00	0.00	0.00%
R.f. Others, if any, please specify	33917.18	15923.16	49840.34	3.21%
Other Infra	0.00	0.00	0.00	0.00%
S. Other Industries	10963.82	306.88	11270.70	0.73%
All Industries (A to S)	377052.75	74158.09	451210.84	29.04%

* 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	13736.89	4038.51	52084.20	89540.32	9850.83	0.00	3591.46	172842.21
2 – 7 days	0.00	365.64	2861.97	1209.78	7072.96	0.00	229.58	11739.93
8-14 days	0.00	392.96	4853.25	5032.81	2017.69	0.00	0.00	12296.71
15-30 days	0.00	1031.72	145.00	2773.50	12022.87	0.00	905.01	16878.10
31 days & up to 2 months	0.00	1686.74	232.50	6640.98	18355.86	0.00	71.72	26987.80
Over 2 months & up to 3 months	0.00	1839.33	949.15	14004.95	47432.60	0.00	90.19	64316.22

Over 3 months & up to 6 months	0.00	5659.79	1858.60	3630.84	131518.50	0.00	3371.69	146039.42
Over 6 months & up to 1 year	0.00	9500.47	983.65	9313.31	153680.52	0.00	26573.74	200051.69
Over 1 year & up to 3 years	0.00	21578.44	25.91	29317.68	510357.23	0.00	38708.46	599987.72
Over 3 years & up to 5 years	0.00	1289.57	2.50	30414.05	146046.82	0.00	11802.32	189555.26
Over 5 years & upto 7 years	0.00	325.15	0.00	52645.07	78665.73	0.00	7880.75	139516.70
Over 7 years & up to 10 years	0.00	301.05	0.00	90042.70	53913.99	0.00	201.41	144459.15
Over 10 year & up to 15 years	0.00	2.71	0.00	11631.95	40065.84	0.00	0.00	51700.50
Over 15 years	0.00	0.11	0.00	12728.85	11677.71	4799.85	802.54	30009.06
Total	13736.89	48012.19	63996.73	358926.79	1222679.15	4799.85	94228.87	1806380.47

ASSET QUALITY

Advances

(Amount in ₹ Mn.)

Amount of Non-Performing Assets (Gross)	35,308.31
Substandard	11,820.34
Doubtful 1	8,988.98
Doubtful 2	8,041.67
Doubtful 3	3,603.41
Loss	2,853.91
Net NPA	16,071.70
NPA ratios	
Gross NPAs to gross advances (%)	2.84%
Net NPAs to net advances (%)	1.31%
Movement of NPAs (Gross)	
Opening balance (balance as at the end of previous Fiscal)	32,606.76
Additions during the period	19,188.14
Reductions	16,486.59
Closing balance	35,308.31

Movement of provisions

(Amount in ₹ Mn.)

	Specific Provision	General Provision
Opening balance (balance as at the end of previous Fiscal)	15,371.38	691.80
Provisions made during the period	12,804.47	-
Write off	7,341.87	-
Write back of excess provisions	2,673.09	-
Any other adjustments, including transfers between provisions	-	-
Closing balance	18,160.89	691.80

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

(Amount in ₹ Mn.)

Write offs that have been booked directly to the income statement	524.08
Recoveries that have been booked directly to the income statement	1,805.43

Investments

(Amount in ₹ Mn.)

Amount of Non-Performing Investments (Gross)	964.61
Amount of provisions held for Non-Performing Investments	961.92
Movement of provisions for depreciation on investments	
Opening balance (balance as at the end of previous Fiscal)	3,089.85
Provisions made during the period	596.08
Write-off	(63.35)
Write-back of excess provisions	(151.87)
Closing balance	3,470.71

Major Industry breakup of NPA

(Amount in ₹ Mn.)

Industry	Gross NPA	Specific Provision
NPA in Top 5 industries	4533.41	2505.28

Geography wise Distribution of NPA and Provision

(Amount in ₹ Mn.)

Geography	Gross NPA	Specific Provision	General Provision
Domestic	33,416.69	17,687.99	691.80
Overseas	1,891.62	472.90	-
Total	35,308.31	18,160.89	691.80

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

1.	Qualitative disclosures
	<p>For portfolios under the Standardized Approach:</p> <p>Names of credit rating agencies used, plus reasons for any changes:</p> <p>Bank has approved all the seven External Credit Rating Agencies accredited by RBI for the purpose of credit risk rating of domestic borrower accounts that forms the basis for determining risk weights under Standardized Approach.</p> <p>External Credit Rating Agencies approved are:</p> <ol style="list-style-type: none"> 1. CRISIL 2. CARE 3. India Ratings and Research Private Limited (Formerly FITCH INDIA) 4. ICRA 5. Brickwork Ratings India Pvt. Ltd (BRICKWORK) 6. SMERA Ratings Ltd 7. INFOMERICS Valuation and Rating Pvt. Ltd (INFOMERICS) <p>Bank is also using the ratings of the following international credit rating agencies for assigning risk weights to claims for capital adequacy purposes where the exposure can be specified as international exposure:</p> <ol style="list-style-type: none"> 1. Fitch; 2. Moody's and 3. Standard & Poor's

	With respect to external credit rating, Bank is using long term ratings for risk weighting all long term claims and unrated short term claims on the same counterparty. However, short term rating of a counterparty is used only to assign risk weight to all short term claims of the obligor and not to risk weight unrated long term claims on the same counterparty.
	Types of exposure for which each agency is used: <ol style="list-style-type: none"> 1. Rating by the agencies is used for both fund based and non-fund based exposures. 2. Short Term Rating given by the agencies is used for exposure with contractual maturity of less than or equal to one year (except Cash Credit, Overdrafts and other Revolving Credits). 3. Long Term Rating given by the agencies is used for exposures with contractual maturity of above one year and also for Cash Credit, Overdrafts and other Revolving Credits. 4. Rating assigned to one particular entity within a corporate group is not used to risk weight other entities within the same group. <p>The rating reviewed, at least once during past 15 months will only be considered for risk weighting purposes.</p> <p>Description of the process used to transfer public issue ratings into 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. 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: <ol style="list-style-type: none"> 1. Issue specific ratings are used where the unrated claim of the Bank ranks pari passu or senior to the rated issue / debt. 2. Wherever issuer rating or issue specific ratings are used to risk weight unrated claims, such ratings are extended to entire amount of claim on the same counterparty. 3. Ratings used for risk weighting purposes are confirmed from the websites of the rating agencies concerned.

2. Quantitative disclosures		
Risk weight wise details of 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)	Risk Weight	(Amount in ₹Mn.)
	Below 100 %	11,95,093.27
	100 %	3,83,381.21
	More than 100 %	98,340.85
	Deducted	2,592.00*
	Total	16,76,815.33

*Investment in subsidiary

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

1. Qualitative disclosures	
	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	
	Collaterals used by Bank as risk mitigants for capital computation under Standardized Approach comprise eligible financial collaterals namely: <ol style="list-style-type: none"> 1. Cash margin and fixed deposits of the counterparty with the Bank. 2. Gold jewellery of purity 91.6% and above, the value of which is notionally converted to value of gold with 99.99% purity. 3. Securities issued by Central and State Governments.

	<p>4. Kisan Vikas Patra and National Savings Certificates.</p> <p>5. Life Insurance Policies with a declared surrender value of an Insurance company regulated by the insurance sector regulator.</p> <p>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:</p> <p>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</p> <p>b. Attracting 100% or lesser risk weight i.e. rated at least A3 for short term debt instruments</p> <p>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:</p>
	<p>a. Issued by the bank</p> <p>b. Listed on a recognized exchange</p> <p>c. Classified as senior debt</p> <p>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</p> <p>e. The bank has no information to suggest that the issue justifies a rating below BBB (-) or A3 by a chosen Credit Rating Agency</p> <p>f. Bank is sufficiently confident about the market liquidity of the security.</p> <p>8. Units of Mutual Funds regulated by the securities regulator of the jurisdiction of the Bank's operation and mutual funds where</p> <p>a. A price for the units is publicly quoted daily i.e. where the daily NAV is available in public domain</p> <p>b. Mutual fund is limited to investing in the permitted instruments listed.</p> <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>
<p>1.4</p>	<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> <p>a. Sovereigns (Central / State Governments)</p> <p>b. Sovereign entities like ECGC, CGFTSI</p> <p>c. Banks and Primary Dealers with a lower risk weight than the counter party Other entities rated 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>
<p>1.5</p>	<p>Information on market / credit risk concentrations within the mitigation taken by the Bank</p>
	<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. With respect to gold loans, each and every exposure is reviewed/ renewed/closed within a maximum period of 12 months. Bank could successfully manage the risks posed by sudden reduction in gold price in the past. Measures warranted by the situation were timely taken.</p> <p>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 & building. Except in the case of Housing loan to individuals and loans against property, land and building is considered only as an additional security. As land and building is not 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. It is used only in the case of Housing loan to individuals and non-performing assets to determine the appropriate risk weight. As such, there is no concentration risk on account of nature of collaterals.</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	Funded Credit Exposure	148588.28	137885.17	10703.11
B	Non-funded Credit exposure	33322.10	18439.53	14882.56
C	Securitization exposures – On balance sheet	-	-	-
D	Securitization exposures – Off balance sheet	-	-	-
	TOTAL	181910.38	156324.70	25585.67
2.2 Credit risk exposure covered by guarantees				
	Type of exposure	Credit equivalent of gross exposure	Amount of guarantee (Credit equivalent)	
A	Funded Credit Exposure	12698.95	12623.26	
B	Non-funded Credit exposure	116.83	23.4	
C	Securitization exposures – on balance sheet	-	-	
D	Securitization exposures – off balance sheet	-	-	
	TOTAL	12815.78	12646.66	

TABLE DF – 6: SECURITISATION: DISCLOSURES FOR STANDARDIZED APPROACH

1.	Qualitative disclosures
1.1	General disclosures on securitization exposures of the Bank
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 securitisation exposure is limited to investments in securitisation instruments (Pass Through Certificates) and purchase of asset portfolio by way of Direct assignment route. The bank invests/ purchase securitised assets with the objective of book building and yield optimisation.
B	Role of Bank in securitization processes (originator / investor/ service provider/ facility provider etc.) and extent of involvement in each activity.
	As an Investor: The Bank invests in Pass Through Certificates backed by financial assets originated by third parties. Such investments are held in its Trading book
	As an Assignee: The Bank also purchases Asset portfolio by way of Direct assignment from Banks / NBFCs.
C	Processes in place to monitor changes in the credit and market risk of securitization exposures
	The major risks involved in Loan assignment transactions are: Credit Risk: The risk of default on a debt that may arise from an obligor failing to make required payments. Co-mingling risks: Risks arising on account of co-mingling of funds belonging to the assignee with that of originator. This occurs when there is a time lag between collection of loan instalments by the originator and remittance to the assignee. Regulatory and legal risks: Risks arising due to non-compliance of regulatory requirements resulting in keeping higher risk weight/ capital charge for assignment transactions. Risk of non-compliance of regulatory rules. Prepayment risk: Prepayment risk arises on account of prepayment of dues by obligors in the assigned pool either in part or full. Bank is constantly monitoring the changes in Credit and Market risk profile of securitization instruments held in the Trading book and Banking book. In case of portfolio purchased through Assignment route, monitoring is done on an individual account level.
D	Bank's policy governing the use of credit risk mitigation to mitigate the risks retained through securitization exposures
	The Bank has not originated any securitization exposures. In the case of purchase by way of Direct assignment route; bank has not used any Credit risk mitigants.

1.2	Accounting policies for securitization activities
A	Treatment of transaction (whether as sales or financings)
	NA
B	Methods and key assumptions (including inputs) applied in valuing positions retained or purchased
	Income from investments in Pass Through Certificates is recognized on accrual basis. Income recognition is subjected to prudential norms stipulated by Reserve Bank of India in this regard. The loans purchased through Direct assignment route are classified as advances. The loans purchased will be carried at acquisition cost.
C	Changes in methods and key assumptions from the previous period and impact of the changes
	No change is effected in methods and key assumptions used for valuation of investment in securitized instruments (Pass Through Certificates).
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 ECAIs used for securitizations and the types of securitization exposures for which each agency is used.
	For computation of Capital requirements for loans purchased by way of Direct assignment, Bank has used the Credit rating issued by eligible ECAIs.

2.	Quantitative disclosures	(Amount in ₹ 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 break up)	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	
F	Aggregate amount of on-balance sheet securitization exposures retained or purchased by the Bank (exposure type wise breakup)	Commercial Vehicle/ MSME	193.22	
		Housing	11060.61	
		Loan against property	8071.92	
		Commercial TL / LRD	-	
		Agri / Allied activities	-	
		Total	19325.76	
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 (Direct assignment of Cash flows)			
	Risk Weight Bands	Exposure Type	Exposure	Capital Charge
	Less than 100%	Housing Loans	11011.29	476.47
		Mixed Assets*	163.66	9.81
		Loan against property	567.94	37.55
		Agri / Allied activities	0.00	0.00

At 100%	Agri / Allied activities	0.00	0.00
	Commercial TL / LRD	29.56	2.10
	Loan against property	7495.29	671.97
	Housing Loans	49.33	3.78
More than 100%	Loan against property	8.69	1.00
	Mixed Assets*	0.00	0.00
*includes Commercial Vehicle Loans and Micro & Small Business Loans			
I	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/O) deducted from total capital – underlying exposure type wise break up		Nil
	Other exposures deducted from total capital – underlying exposure type wise break up		Nil
2.2	In the Trading Book		
A	Aggregate amount of exposures 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	Amount 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	(Amount in ₹Mn.)	
	Investment in Pass through Certificates	3179.37	
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 (Amount in ₹ Mn.)
	Investment in Pass through Certificates	4.00%	3179.37
F	Aggregate amount of capital requirements for securitization exposures (risk weight band wise distribution)		
	Type of exposure	Capital charge as % to exposure	Capital charge (Amount in ₹ Mn.)
	Investment in Pass through Certificates	4.00%	127.96
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.	Qualitative disclosures
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"> • Securities under HFT category • Securities under AFS category • Open gold position limits • Open foreign exchange position limits • Trading positions in derivatives • Derivatives entered into for hedging trading book exposures <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.)

2.	Quantitative disclosures	
2.1	Minimum capital requirements for market risk as per Standardized Duration Approach	5563.95
	Interest rate risk	1979.78
	Foreign exchange risk (including gold)	253.13
	Equity position risk	3331.04

TABLE DF – 8: OPERATIONAL RISK

1.	Qualitative disclosures
1.1	Approach used for computation of capital charge for operational risk (and for which the Bank is qualified)
	Bank is following the Basic Indicator Approach for computation of capital charge for operational risk. Bank has initiated steps for migrating to the advanced approaches in due course.

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

1.	Qualitative disclosures
	<p>The impact of adverse movements in interest rates on financials is referred to as interest rate risk. For banking book, interest rate risk arises through mismatches in re-pricing of interest rate sensitive assets (RSA), rate sensitive liabilities (RSL) and rate sensitive off-balance sheet items. As interest rate risk can impact both Net Interest Income (NII) and Economic value of capital, it is assessed and managed from both earnings and economic value perspective.</p> <p>a) Earnings perspective: Analyses the impact on Bank's Net Interest Income (NII) in the short term through traditional gap analysis.</p> <p>b) Economic perspective: Analyses the impact on the Net-worth of bank due to re-pricing of assets, liabilities and off-balance sheet items through duration gap analysis.</p> <p>The Bank classifies an asset/liability as rate sensitive if:</p> <ul style="list-style-type: none"> • Within the time interval under consideration, there is a cash flow • The interest rate resets / reprices contractually during the interval • RBI changes the interest rates in cases where interest rates are administered. <p>Rate sensitive assets and liabilities are grouped under various time buckets prescribed by RBI for interest rate sensitivity statement and bucket wise modified duration is computed using the suggested common maturity, coupon and yield parameters.</p> <p>Core portion of non-maturing deposits (Current Account and Saving Account) is bucketed in "over 1 year – 3 year" based on the behavioural analysis. Non-rate sensitive liabilities and assets primarily comprise of capital, reserves and surplus, other liabilities, cash and balances with RBI, current account balances with banks, fixed assets and other assets.</p> <p>IRRBB is assessed on a monthly basis and monitored by ALCO, both under earnings and economic value perspectives.</p>

2.	Quantitative disclosures - Impact of interest rate risk	(Amount in ₹ Mn.)	
		Total Book	Banking Book
2.1	Earnings perspective (Traditional Gap Analysis) Earnings at Risk (EaR) – impact for one year due to Uniform 1% increase/ decrease in interest rate	243.69	8.96
2.2	Economic value perspective - Percentage and quantum of decrease in market value of equity on account of 1% uniform increase in interest rate	10205.88	8449.25

(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 for transactions through QCCP). 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 (including QCCP) are as follows:	

(Amount in ₹ Mn.)

Particulars	Notional Amounts	Current Exposure
Foreign exchange contracts	217041.04	13589.26
Interest rate derivative contracts	32980.00	313.68
Total	250021.04	13902.94

TABLE DF-11: Composition of Capital

(Amount in ₹ Mn.)

Common Equity Tier 1 capital: instruments and reserves			Ref No
1	Directly issued qualifying common share capital plus related stock surplus (share premium)	57159.32	a+d-m2
2	Retained earnings	27044.28	l+m-m1
3	Accumulated other comprehensive income (and other reserves)	61683.75	b+c+e+f+i+j+k
4	Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)	0.00	
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	0.00	
6	Common Equity Tier 1 capital: before regulatory adjustments	145887.36	
Common Equity Tier 1 capital: regulatory adjustments			
7	Prudential valuation adjustments	0.00	
8	Goodwill (net of related tax liability)	45.58	x1
9	Intangibles (net of related tax liability)	19.80	r+p
10	Deferred tax assets	0.00	
11	Cash-flow hedge reserve	0.00	
12	Shortfall of provisions to expected losses	0.00	
13	Securitisation gain on sale	0.00	
14	Gains and losses due to changes in own credit risk on fair valued liabilities	0.00	
15	Defined-benefit pension fund net assets	0.00	
16	Investments in own shares (if not already netted off paid-up capital on reported balance sheet)	0.00	

17	Reciprocal cross-holdings in common equity	6.16	
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	0.00	
19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	0.00	
20	Mortgage servicing rights (amount above 10% threshold)	0.00	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	0.00	
22	Amount exceeding the 15% threshold	0.00	
23	of which: significant investments in the common stock of financial entities		
24	of which: mortgage servicing rights	0.00	
25	of which: deferred tax assets arising from temporary differences	0.00	
26	National specific regulatory adjustments (26a+26b+26c+26d)	0.00	
26 a	of which: Investments in the equity capital of the unconsolidated insurance subsidiaries	0.00	
26 b	of which: Investments in the equity capital of unconsolidated non-financial subsidiaries	0.00	
26 c	of which: Shortfall in the equity capital of majority owned financial entities which have not been consolidated with the bank	0.00	
26 d	of which: Unamortised pension funds expenditures	0.00	
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	0.00	
28	Total regulatory adjustments to Common equity Tier 1	71.54	
29	Common Equity Tier 1 capital (CET1)	145815.81	
Additional Tier 1 capital: instruments			
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus (share premium) (31+32)	0.00	
31	of which: classified as equity under applicable accounting standards (Perpetual Non-Cumulative Preference Shares)	0.00	
32	of which: classified as liabilities under applicable accounting standards (Perpetual debt Instruments)	0.00	
33	Directly issued capital instruments subject to phase out from Additional Tier 1	0.00	
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	0.00	
35	of which: instruments issued by subsidiaries subject to phase out	0.00	
36	Additional Tier 1 capital before regulatory adjustments	0.00	
Additional Tier 1 capital: regulatory adjustments			
37	Investments in own Additional Tier 1 instruments	0.00	
38	Reciprocal cross-holdings in Additional Tier 1 instruments	0.00	
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	0.00	
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	0.00	
41	National specific regulatory adjustments (41a+41b)	0.00	
41 a	of which: Investments in the Additional Tier 1 capital of unconsolidated insurance subsidiaries	0.00	

41 b	of which: Shortfall in the Additional Tier 1 capital of majority owned financial entities which have not been consolidated with the bank	0.00	
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	0.00	
43	Total regulatory adjustments to Additional Tier 1 capital	0.00	
44	Additional Tier 1 capital (AT1)	0.00	
45	Tier 1 capital (T1 = CET1 + AT1) (29 + 44)	145815.81	
Tier 2 capital: instruments and provisions			
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	3000.00	n
47	Directly issued capital instruments subject to phase out from Tier 2	0.00	
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	0.00	
49	of which: instruments issued by subsidiaries subject to phase out	0.00	
50	Provisions	8324.79	ci+h+o+g
51	Tier 2 capital before regulatory adjustments	11324.79	
Tier 2 Capital: Regulatory adjustments			
52	Investments in own Tier 2 instruments	0.00	
53	Reciprocal cross-holdings in Tier 2 instruments	0.00	
54	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)	0.00	
55	Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	0.00	
56	National specific regulatory adjustments (56a+56b)	0.00	
56 a	of which: Investments in the Tier 2 capital of unconsolidated insurance subsidiaries	0.00	
56 b	of which: Shortfall in the Tier 2 capital of majority owned financial entities which have not been consolidated with the bank	0.00	
57	Total regulatory adjustments to Tier 2 capital	0.00	
58	Tier 2 capital (T2)	11324.79	
59	Total capital (TC = T1 + T2) (45 + 58)	157140.61	
60	Total risk weighted assets (60a + 60b + 60c)	1073638.51	
60 a	of which: total credit risk weighted assets	924665.96	
60 b	of which: total market risk weighted assets	61821.67	
60 c	of which: total operational risk weighted assets	87150.87	
Capital ratios			
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	13.58%	
62	Tier 1 (as a percentage of risk weighted assets)	13.58%	
63	Total capital (as a percentage of risk weighted assets)	14.63%	
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation plus countercyclical buffer requirements plus G-SIB buffer requirement, expressed as a percentage of risk weighted assets)	7.37%	
65	of which: capital conservation buffer requirement	1.87%	
66	of which: bank specific countercyclical buffer requirement	0.00%	
67	of which: G-SIB buffer requirement	0.00%	

68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	8.08%	
National minima (if different from Basel III)			
69	National Common Equity Tier 1 minimum ratio (if different from Basel III minimum)	5.50%	
70	National Tier 1 minimum ratio (if different from Basel III minimum)	7.00%	
71	National total capital minimum ratio (if different from Basel III minimum)	9.00%	
Amounts below the thresholds for deduction (before risk weighting)			
72	Non-significant investments in the capital of other financial entities	4925.31	
73	Significant investments in the common stock of financial entities	2592.00	
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	
Applicable caps on the inclusion of provisions in Tier 2			
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	6405.05	
77	Cap on inclusion of provisions in Tier 2 under standardised approach	11558.32	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	NA	
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	NA	
Capital instruments subject to phase-out arrangements (only applicable between March 31, 2017 and March 31, 2022)			
80	Current cap on CET1 instruments subject to phase out arrangements	NA	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	NA	
82	Current cap on AT1 instruments subject to phase out arrangements	NA	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	NA	
84	Current cap on T2 instruments subject to phase out arrangements	NA	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	NA	

Note to the Template		
Row No. of the template	Particular	(Amount in ₹ Mn.)
10	Deferred tax assets associated with accumulated losses	0.00
	Deferred tax assets (excluding those associated with accumulated losses) net of Deferred tax liability	38.03
	Total as indicated in row 10	38.03
19	If investments in insurance subsidiaries are not deducted fully from capital and instead considered under 10% threshold for deduction, the resultant increase in the capital of bank	2080.00
	of which: Increase in Common Equity Tier 1 capital	2080.00
	of which: Increase in Additional Tier 1 capital	0.00
	of which: Increase in Tier 2 capital	0.00
26 b	If investments in the equity capital of unconsolidated non-financial subsidiaries are not deducted and hence, risk weighted then:	0.00
	(i) Increase in Common Equity Tier 1 capital	0.00
	(ii) Increase in risk weighted assets	0.00
50	Eligible Provisions included in Tier 2 capital	6405.05
	Investment Fluctuation Reserve included in Tier 2 capital	1897.20
	Eligible Revaluation Reserves included in Tier 2 capital	22.54
	Total of row 50	8324.79

Table DF - 12

(Amount in ₹ Mn.)

Composition of Capital: Reconciliation Requirements Step 1		Balance sheet as in financial statements	Balance sheet under regulatory scope of consolidation
		31-03-20	31-03-20
A	Capital & Liabilities		
i	Paid-up Capital	3985.32	3985.32
	Reserves & Surplus	141190.76	145674.84
	Minority Interest		
	Total Capital	145176.08	149660.16
ii	Deposits	1522900.85	1522519.07
	of which: Deposits from banks	33708.94	33708.94
	of which: Customer deposits	1489191.91	1488810.14
	of which: Other deposits (pl. specify)	0.00	0.00
iii	Borrowings	103724.26	125277.20
	of which: From RBI	19880.00	19880.00
	of which: From banks	1162.00	20314.69
	of which: From other institutions & agencies	56947.27	59347.52
	of which: Others (pl. specify)	25734.99	25734.99
	of which: Capital instruments	3000.00	3000.00
iv	Other liabilities & provisions	34579.28	35703.76
	Total Liabilities	1806380.47	1833160.20
B	Assets		
i	Cash and balances with Reserve Bank of In-dia	61749.09	61825.43
	Balance with banks and money at call and short notice	63996.73	65747.65
ii	Investments:	358926.79	356780.87
	of which: Government securities	317607.10	317607.10
	of which: Other approved securities	0.00	0.00
	of which: Shares	5120.56	5058.02
	of which: Debentures & Bonds	14573.45	14686.49
	of which: Subsidiaries / Joint Ventures / Associates	4622.00	2080.00
	of which: Others (Commercial Papers, Mutual Funds etc.)	17003.68	17303.68
iii	Loans and advances	1222679.15	1248494.99
	of which: Loans and advances to banks	4308.10	4308.10
	of which: Loans and advances to customers	1218371.04	1244186.89
iv	Fixed assets	4799.85	5048.12
v	Other assets	94228.87	95263.13
	of which: Goodwill and intangible assets	0.00	19.80
	of which: Deferred tax assets	0.00	38.03
vi	Goodwill on consolidation		
vii	Debit balance in Profit & Loss account		
	Total Assets	1806380.47	1833160.20

(Amount in ₹ Mn.)

Composition of Capital: Reconciliation Requirements Step 2		Balance sheet as in financial statements	Balance sheet under regulatory scope of consolidation	Ref No.
		31-03-2020	31-03-2020	
A	Capital & Liabilities			
i	Paid-up Capital	3985.32	3985.32	
	of which: Amount eligible for CET1	3985.32	3985.32	a
	of which: Amount eligible for AT1	0.00	0.00	
	Reserves & Surplus	141190.76	145674.84	
	Of which	0.00	0.00	
	-Statutory Reserve	29833.98	29833.98	b
	-Revaluation Reserve (Part of CET1 at a discount of 55%)	0.00	0.00	c
	-Revaluation reserves at a discount of 55 per cent (T-2) (if not already shown under CET 1)	50.09	50.09	c i
	-Share premium	51621.92	53173.99	d
	-Capital Reserve	5046.00	5046.00	e
	-Revenue and other reserves	20170.49	20415.25	f
	-Investment fluctuation reserve	1897.20	1897.20	g
	-Investment reserve			h
	-Foreign Currency Translation Reserve (at a discount of 75 per cent)	63.49	63.49	i
	-Special reserve	6039.90	6039.90	j
	-Contingency reserve	301.00	301.00	k
	- Balance in Profit and loss account at the end of the previous financial year	21742.84	22454.20	l
	- Current Financial year profit (After appropriations)	4423.83	4590.08	m
	- Dividend appropriation considered for regulatory purposes			m1
	Minority Interest	0.00	1809.64	m2
	- Cash flow hedge reserve	0.00		
	Total Capital	145176.08	149660.16	
ii	Deposits	1522900.85	1522519.07	
	of which: Deposits from banks	33708.94	33708.94	
	of which: Customer deposits	1489191.91	1488810.14	
	of which: Other deposits (pl. specify)	0.00	0.00	
iii	Borrowings	103724.26	125277.20	
	of which: From RBI	19880.00	19880.00	
	of which: From banks	1162.00	20314.69	
	of which: From other institutions & agencies	56947.27	59347.52	
	of which: Others	25734.99	25734.99	
	of which: Capital instruments (Tier II bonds)	3000.00	3000.00	
	- Recognised under Tier II	3000.00	3000.00	n
	- Not Recognised under Tier II	0.00	0.00	
iv	Other liabilities & provisions	34579.28	35703.76	

	of which: DTLs	111.46	66.21	
	of which: Standard asset provision included under Tier II	6261.10	6405.05	o
	Total Liabilities	1806380.47	1833160.20	
B	ASSETS			
i	Cash and balances with Reserve Bank of India	61749.09	61825.43	
	Balance with banks and money at call and short notice	63996.73	65747.65	
	Investments	358926.79	356780.87	
	of which: Government securities	317607.10	317607.10	
	of which: Other approved securities	0.00	0.00	
ii	of which: Shares	5120.56	5058.02	
	of which: Good will	0.00	45.58	x1
	of which: Debentures & Bonds	14573.45	14686.49	
	of which: Subsidiaries / Joint Ventures / Associates	4622.00	2080.00	
	of which: Others (Commercial Papers, Mutual Funds etc.)	17003.68	17303.68	
iii	Loans and advances	1222679.15	1248494.99	
	of which: Loans and advances to banks	4308.10	4308.10	
	of which: Loans and advances to customer	1218371.04	1244186.89	
iv	Fixed assets	4799.85	5048.12	
	of which Intangible assets	0.00	19.80	p
v	Other assets	94228.87	95263.13	
	a Other intangibles (excluding MSRs)	0.00	0.00	r
	b Deferred tax assets	0.00	38.03	
vi	c MAT credit entitlement	0.00	0.00	
vi	Goodwill on consolidation	0.00	0.00	
	Debit balance in Profit & Loss account	0.00	0.00	

LEVERAGE RATIO (Consolidated)

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

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

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

Summary comparison of accounting assets vs. leverage ratio exposure measure		
	Item	(Amount in ₹ Mn.)
1	Total consolidated assets as per published financial statements	1806380.47
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	26779.73
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure (less)	71.54

4	Adjustments for derivative financial instruments	14072.95
5	Adjustment for securities financing transactions (i.e. repos and similar secured lending)	34289.84
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	130528.34
7	Other adjustments	3380.36
8	Leverage ratio exposure	2015360.13
Table DF 18 - Leverage ratio common disclosure template		
	Item	Leverage ratio framework (Amount in ₹ Mn.)
On-balance sheet exposures		
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	1836540.55
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	71.54
3	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)	1836469.01
Derivative exposures		
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	2846.77
5	Add-on amounts for PFE associated with all derivatives transactions	11226.18
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	0.00
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	0.00
8	(Exempted CCP leg of client-cleared trade exposures)	0.00
9	Adjusted effective notional amount of written credit derivatives	0.00
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	0.00
11	Total derivative exposures (sum of lines 4 to 10)	14072.95
Securities financing transaction exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	34000.00
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	0.00
14	CCR exposure for SFT assets	289.84
15	Agent transaction exposures	0.00
16	Total securities financing transaction exposures (sum of lines 12 to 15)	34289.84
Other off-balance sheet exposures		
17	Off-balance sheet exposure at gross notional amount	332019.54
18	(Adjustments for conversion to credit equivalent amounts)	201491.20
19	Off-balance sheet items (sum of lines 17 and 18)	130528.34
Capital and total Exposures		
20	Tier 1 Capital	145815.81
21	Total exposures (sum of lines 3,11,16 and 19)	2015360.13
Leverage Ratio		
22	Basel III leverage ratio	7.24%

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF THE FEDERAL BANK LIMITED

Report on the audit of the consolidated annual financial statements

Opinion

1. We have audited the consolidated annual financial statements of The Federal Bank Limited (hereinafter referred to as the "the Bank" or "holding company"), and its subsidiaries (Holding company and its subsidiaries together referred to as "the Group") and its associates which comprise the consolidated balance sheet as at 31 March 2020, the consolidated profit and loss account, the consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated financial statements").

In our opinion and to the best of our information and according to the explanations given to us, and based on the consideration of reports of other auditors on separate audited financial statements of such subsidiaries and associates as were audited by other auditors, the aforesaid consolidated financial statements give the information required by the Banking Regulation Act, 1949 as well as the Companies Act, 2013 (the 'Act') in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group and its associates as at 31 March 2020, of its consolidated profit and consolidated cash flows for the year then ended.

Basis for opinion

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

Emphasis of matter

3. As more fully described in Note 1.13 (e) to the Consolidated Financial Statements, the extent to which the COVID-19 pandemic will have impact on the Bank's financial performance is depended on future developments which are highly uncertain. Our opinion on the consolidated financial statements is not modified in respect of the above matters.

Key audit matters

4. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matter.

Description of Key Audit Matters

Identification of Non-Performing Assets ('NPAs') and Provision on Advances Gross NPA: INR 3,580.15 crore for year ended 31 March 2020 Charge (including write-off): INR 1012.48 crore for year ended 31 March 2020 NPA Provision: INR 1,892.23 crore as at 31 March 2020 <i>Refer to the accounting policies in "Schedule 17 to the Consolidated Financial Statements: Significant Accounting Policies- Use of estimates and Advances and Note 1.8 of Schedule 18 to the Consolidated Financial Statements"</i>	
The key audit matter	How the matter was addressed in our audit
<p>Significant estimate and judgment involved</p> <p>Identification of NPAs is made based on the assessment of various criteria stipulated in the Reserve Bank of India ('RBI') guidelines with regard to the 'Prudential Norms on Income Recognition, Asset Classification and Provisioning' ('RBI Guidelines'). NPA classification is made borrower wise whereby if one facility to the borrower becomes an NPA then all facilities to such a borrower will be treated as an NPA.</p> <p>Provisions in respect of such NPAs and restructured advances are made based on management's assessment of the degree of impairment of the advances subject to and guided by the minimum provisioning levels prescribed under RBI guidelines, prescribed from time to time. The provision on NPAs are also based on the valuation of the security available. In case of restructured accounts, provision is made in accordance with the RBI guidelines.</p> <p>We identified NPA identification and provision on loans and advances as a key audit matter because of the significant efforts involved by the management in identifying NPAs based on the RBI Guidelines, the level of management judgement involved in determining the provision (including the provisions on assets which are not classified as NPAs), the valuation of security of the NPAs and on account of the significance of these estimates to the financial statements of the Bank.</p> <p>On 11 March 2020, the World Health Organization declared the Novel Coronavirus (COVID-19) outbreak to be a pandemic.</p> <p>We have identified the impact of, and uncertainty related to the COVID-19 pandemic as a key event and consideration for recognition and measurement of NPAs on account of:</p> <ul style="list-style-type: none"> • Short- and long-term macroeconomic effect on businesses in the country and globally and its consequential first order and cascading negative impact on revenue and employment generation opportunities; • impact of the pandemic on the Bank's customers and their ability to repay dues; and • application of regulatory package and relaxations announced by the Reserve Bank of India (RBI) on asset classification, regulatory reporting and provisioning. 	<p>Our key audit procedures included:</p> <p>Design / controls</p> <ul style="list-style-type: none"> • Assessing the design, implementation and operating effectiveness of key internal controls over approval, recording and monitoring of loans, appointment/empanelment of valuers, monitoring process of overdue loans (including those which became overdue subsequent to the reporting date), measurement of NPA provision, identification of NPA accounts and assessing the reliability of management information, which included overdue reports. Also, assessing how management has factored in the deterioration in the overall economic environment arising from COVID-19 in its NPA assessment. • Understanding management's approach, interpretation, systems and controls implemented in relation to NPA computation, particularly in light of the COVID-19 regulatory package. • For corporate loans we tested controls over the internal ratings process, monitoring of stressed accounts including credit file review processes and review controls over the approval of significant individual impairment provisions. • Evaluated the design, implementation and operating effectiveness of key internal controls over the valuation of the securities for NPAs and the Special Mention Accounts ('SMA'). • Testing of management review controls over credit impairment indicators. • Involved our information systems specialist in the audit of this area to obtain evidence and get assurance over data integrity and calculations, including system reconciliations. <p>Substantive tests</p> <ul style="list-style-type: none"> • Test of details for a selection of exposures over calculation of NPA provisions including valuation of collaterals for NPAs as at 31 March 2020; provisioning determined by the Bank and also testing related disclosures by assessing the completeness, accuracy and relevance of data and to ensure that the same is in compliance with the RBI guidelines with regard to the Prudential Norms on Income Recognition, Asset Classification and Provisioning. • Further for the accounts which meet the criteria for asset classification benefit in accordance with the Reserve Bank of India COVID-19 Regulatory Package, as per days past due status at 29 February 2020, testing calculation of provisions in line with the prescribed percentage.

The key audit matter	How the matter was addressed in our audit
<p>Management has conducted an assessment of the loan portfolio which may be impacted on account of COVID-19 with respect to moratorium benefit and provision computation to borrowers prescribed by the RBI and also considered qualitative factors to evaluate the need of recording contingency provision on the identified pool of loans at 31 March 2020.</p>	<ul style="list-style-type: none"> • We selected samples (based on quantitative and qualitative thresholds) of large corporates where impairment indicators had been identified by management. We obtained management's assessment of the recoverability of these exposures (including individual provisions calculations) and challenged whether individual provisions, or lack of, were appropriate. • This included the following procedures: <ul style="list-style-type: none"> – Reviewing the statement of accounts, approval process, board and credit committees minutes, credit review of customer, review of Special Mention Accounts ('SMA') reports and other related documents to assess recoverability and the classification of the facility; – Assessed external collateral valuer's credentials and comparing external valuations to values used in management's assessments; and – For a selection of corporate loans not identified as displaying indicators of deterioration by management, challenged this assessment by reviewing the historical performance of the customer and assessed whether any impairment indicators were present. • Evaluating management rationale for the creation of additional provision contingency/ general provision/ on identified pool of loans reflecting impact of COVID-19. • Assessing the factual accuracy and appropriateness of the additional financial statements disclosures made by the Bank regarding impact of COVID-19.
<p>Valuation of Financial Instruments (Investments) Gross value of investments: INR 36,158.65 crore as at 31 March 2020 Mark to market: INR 443.26 crore as at 31 March 2020 Net value of investments: INR 35,715.39 crore as at 31 March 2020</p>	
<p><i>Refer to the accounting policies in "Schedule 17 to the Consolidated Financial Statements: Significant Accounting Policies- Investments"</i></p>	
<p>Significant estimate and judgment involved Investments</p> <p>Investments are classified into 'Held for Trading' ('HFT'), 'Available for Sale' ('AFS') and 'Held to Maturity' ('HTM') categories at the time of purchase. Investments, which the Bank intends to hold till maturity are classified as HTM investments.</p> <p>Investments classified as HTM are carried at amortised cost. Where in the opinion of management, a diminution, other than temporary, in the value of investments has taken place, appropriate provisions are made.</p> <p>Investments classified as AFS and HFT are marked- to-market on a periodic basis as per the relevant RBI guidelines.</p>	<p>Our key audit procedures included:</p> <p>Design / controls</p> <p>We tested the design, implementation and operating effectiveness of management's key internal controls over the valuation process and independent price verification, including the Bank's review and approval of the estimates and assumptions used for the valuation including key authorization and data input controls;</p> <p>We assessed appropriateness of the valuation methodologies with reference to RBI guidelines and Bank's own valuation policy;</p> <p>Read investment agreements / term sheets entered into during the current year, on a sample basis, to understand the relevant investment terms and identify any conditions that were relevant to the valuation of financial instruments.</p>

The key audit matter	How the matter was addressed in our audit
<p>We identified valuation of investments as a key audit matter because of the management judgement involved in determining the value of certain investments (Bonds and Debentures, Pass through certificates) based on the policy and model developed by the Bank, impairment assessment for HTM book and the overall significance to the financial results of the Bank.</p>	<p>We tested the controls operated at the Bank for ensuring completeness of the investments.</p> <p>Substantive tests</p> <p>We verified the list of investments from eKuber for SLR securities and DP statements for Non-SLR securities.</p> <p>We independently verified the fair valuation of investments on a sample basis with direct observable inputs and external input data such as market value from 'Financial Benchmarks India Private Limited (FBIL)', spreads from 'The Fixed Income Money Market and Derivatives Association of India (FIMMDA)' etc after considering the requirements of RBI guidelines.</p> <p>We assessed that the financial statement disclosures appropriately reflected the Bank's exposure to investments valuation risks with reference to the requirements of the prevailing accounting standards and the RBI guidelines.</p>
<p>Information technology ('IT') systems</p>	
<p>IT systems and automated controls</p> <p>The Bank's key financial accounting and reporting processes are highly dependent on information systems including automated controls in systems, such that there exists a risk that gaps in the IT control environment could result in the financial accounting and reporting records being materially misstated. The Bank uses several systems for its overall financial reporting.</p> <p>In addition, large transaction volumes and the increasing challenges to protect the integrity of the Bank's systems and data, cyber security has become a more significant risk in recent periods.</p> <p>Further, the prevailing COVID-19 situation, has caused the required IT applications to be made accessible on a remote basis.</p> <p>We have identified 'IT systems and automated controls' as key audit matter because of the high level automation, significant number of systems being used by the management and the complexity of the IT architecture.</p>	<p>Our key IT audit procedures included:</p> <ul style="list-style-type: none"> • We focused on user access management, change management, segregation of duties, system reconciliation controls and system application controls over key financial accounting and reporting systems. • We tested a selection of key controls operating over the information technology in relation to financial accounting and reporting systems, including system access and system change management, program development and computer operations. • We tested the design and operating effectiveness of key controls over user access management which includes granting access right, new user creation, removal of user rights and preventative controls designed to enforce segregation of duties. • For a selected group of key controls over financial and reporting system, we have performed procedures to determine that these controls remained unchanged during the year or were changed following the standard change management process. • We have also assessed other areas which includes password policies, security configurations, system interface controls, controls over changes to applications and databases and that business users, developers and production support did not have access to change applications, the operating system or databases in the production environment. • Security configuration review and related tests on certain critical aspects of cyber security on network security management mechanism, operational security of key information infrastructure, data and client information management, monitoring and emergency management. • Assessment of data security controls in the context of a large population of staff working from remote location at the year end.

Information other than the consolidated financial statements and Auditor's Report thereon

5. The Holding Company's management and Board of Directors are responsible for the other information. The other information comprises the information included in the Bank's Annual report, but does not include the consolidated financial statements and our auditor's report thereon. The Group's Annual report is expected to be made available to us after the date of this auditor's report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the Group's Annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Management's and board of directors' Responsibilities for the Consolidated Financial Statements

6. The Holding Company's management and Board of Directors are responsible for the preparation and presentation of these consolidated financial statements in term of the requirement of the Act that give a true and fair view of the consolidated state of affairs, consolidated profit/loss and consolidated cash flows of the Group including its associates in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act, provisions of section 29 of the Banking Regulation Act, 1949 and the circulars and guidelines issued by Reserve Bank of India ('RBI') from time to time. The respective management and Board of Directors of the companies included in the Group and its associates are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of each Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by management and Directors

of the Holding Company, as aforesaid.

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on the internal financial controls with reference to consolidated financial statements place and the operating effectiveness of such controls based on our audit.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management and Board of Directors.
- Conclude on the appropriateness of management and board of directors use of the going concern basis of accounting in

Auditor's responsibilities for the audit of the consolidated financial statements (Continued)

preparing consolidated financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the appropriateness of this assumption. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and its associates to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of such entities or business activities within the Group and its associates to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of financial information of such entities included in consolidated financial statements of which we are the independent auditors. For the other entities included in the consolidated financial statements, which have been audited by other auditors, such other auditors remain responsible for the direction, supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion. Our responsibilities in this regard are further described in 'Other Matters' in this audit report.

We believe that the audit evidence obtained by us along with the consideration of the audit report of the other auditors referred to in (para 10) of the 'Other Matters' paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matters

9. We did not audit the financial statements of two subsidiaries, whose financial statements reflect total assets of ₹4041.83 crore as at 31 March 2020, total revenues of ₹ 490.05 crore and total net profit after tax of ₹ 40.80 crore for the year ended 31 March 2020, and net cash inflow amounting to ₹158.82 crore for the year ended on that date, as considered in the consolidated financial statements. The consolidated financial statements also include the Group's share of net profit of ₹ 37.71 crore for the year ended 31 March 2020, as considered in the consolidated financial statements, in respect of two associates, whose financial statements have not been audited by us. These financial statements have been audited by other auditors whose report has been furnished to us by the Management and our opinion on the consolidated financial statements, insofar as it relates to the amounts and disclosures included in respect of its subsidiaries and its associates and our report in terms of sub-section (3) of Section 143 of the Act, insofar as it relates to the aforesaid subsidiaries and associates is based solely on the report of the other auditors.

The auditors of IDBI-Federal Life Insurance Company Limited ('the associate') have reported, 'The actuarial valuation of the liabilities for life policies in force and for discontinued policies where liability exists is the responsibility of the Company's Appointed Actuary (the appointed Actuary).The actuarial valuation of these liabilities as at March 31, 2020 has been duly certified by the Appointed Actuary and in his opinion, the assumption for such valuation are in accordance with guidelines and norms issued by the IRDAI of India and the Actuarial Society of India in concurrence with the Authority. We have relied upon the Appointed Actuary's certificate in this regard for forming our opinion on the financial statements of the Company'.

Our opinion on the consolidated financial statements, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matter with respect to our reliance on the work done and the report of the other auditor.

Report on other legal and regulatory requirement

- (A) As required by Section 143(3) of the Act, based on our audit and the consideration of the reports of the other auditors on separate financial statements of such subsidiaries and associates

as were audited by other auditors, as noted in the 'Other Matters' paragraph, we report, to the extent applicable, that:

- (a) we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit of the aforesaid consolidated financial statements;
 - (b) in our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and the report of the other auditors;
 - (c) the consolidated balance sheet, the consolidated profit and loss account, and the consolidated cash flow statement dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements;
 - (d) in our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 to the extent they are not inconsistent with the accounting policies prescribed by RBI;
 - (e) on the basis of the written representations received from the directors of the Bank as on 31 March 2020 taken on record by the Board of Directors of the Bank and the reports of the statutory auditors of its subsidiary companies and associates companies none of the directors of the Group companies and its associates companies incorporated in India are disqualified as on 31 March 2020 from being appointed as a director in terms of Section 164(2) of the Act;
 - (f) with respect to the adequacy of the internal financial controls with reference to financial statements of the Bank, its subsidiary companies and its associate companies incorporated in India and the operating effectiveness of such controls, refer to our separate Report in "Annexure A"
- (B) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the report of the other auditor on separate financial statements of the subsidiaries and associates, as noted in the 'Other Matters' paragraph:
- i. the consolidated financial statements disclose the impact of pending litigations as at 31 March 2020 on its consolidated financial position of the Group and its associates – Refer Schedule 12 and Note 18.1.14 to the consolidated financial statements;
 - ii. provision has been made in the consolidated financial statements, as required under the applicable law or accounting standards, for material foreseeable losses, on long-term contracts including derivative contracts – Refer Note 18.1.15 to the consolidated financial statements in respect of such items

as it relates to the Group and its associates;

- iii. there have been no delay in transferring amounts to the Investor Education and Protection Fund by the Bank or its subsidiary companies and associate companies during the year ended 31 March 2020.
 - iv. The disclosures in the consolidated financial statements regarding holdings as well as dealings in specified bank notes during the period from 8 November 2016 to 30 December 2016 have not been made since they do not pertain to the financial year ended 31 March 2020.
- (C) With respect to the matter to be included in the Auditors' Report under section 197(16):

In our opinion and according to the information and explanations given to us, requirements with respect to the matter to be included in the Auditor's Report under section 197(16) of the Act are not applicable to banking companies and based on the reports of the statutory auditors of such subsidiary companies and associate companies incorporated in India which were not audited by us, the remuneration paid during the current year by the subsidiary companies and an associate company to its directors is in accordance with the provisions of Section 197 of the Act. The remuneration paid to any director by the subsidiary companies and associate company is not in excess of the limit laid down under Section 197 of the Act. The auditors of IDBI-Federal Life Insurance Company Limited ('the associate') have reported, managerial remuneration is governed u/s 34A of the Insurance Act, 1938 and requires IRDAI approval. Accordingly, the provisions of Section 197 read with schedule V to the Act are not applicable, and hence reporting under Section 197(16) is not required. The Ministry of Corporate Affairs has not prescribed other details under Section 197(16) which are required to be commented upon by us.

For B S R & Co. LLP

Chartered Accountants
Firm's Registration No:
101248W / W-100022

Akeel Master

Partner
Membership No: 046768
ICAI UDIN: 20046768AAAAAIM8688

Mumbai
28 May 2020

For M.M. Nissim & Co.

Chartered Accountants
Firm's Registration No:
107122W

Varun P Kothari

Partner
Membership No: 115089
ICAI UDIN:20115089AAIN2079

Mumbai
28 May 2020

Annexure A to the Independent Auditor's Report of even date on the consolidated financial statements of The Federal Bank Limited for the year ended 31 March 2020

Report on the Internal Financial Controls with reference to the aforesaid consolidated financial statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

(Referred to in paragraph (A)(f) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

Opinion

1. In conjunction with our audit of the consolidated financial statements of The Federal Bank Limited and its subsidiaries (collectively referred to as the 'Group') and its associates as of and for the year ended 31 March 2020, we have audited the internal financial controls with reference to consolidated financial statements of The Federal Bank Limited (hereinafter referred to as "the Holding Company") and its subsidiaries and its associates, as of that date.

In our opinion, the Holding Company and its subsidiary companies and its associates have, in all material respects, adequate internal financial controls with reference to consolidated financial statements and such internal financial controls were operating effectively as at 31 March 2020, based on the internal financial controls with reference to consolidated financial statements criteria established by such companies considering the essential components of such internal controls stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (the "Guidance Note").

Management's Responsibility for Internal Financial Controls

2. The respective company's management and Board of Directors are responsible for establishing and maintaining internal financial controls based on the internal financial control with reference to consolidated financial statement criteria established by the respective Company considering the essential components of internal control stated in the Guidance Note. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013 ("the Act").

Auditor's Responsibility

3. Our responsibility is to express an opinion on the internal financial controls with reference to consolidated financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls with reference to consolidated financial statements. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to consolidated financial statements were established and maintained and if such controls operated effectively in all material respects.
4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls with reference to consolidated financial statements and their operating effectiveness. Our audit of internal financial controls with reference to consolidated financial statements included obtaining an understanding of internal financial controls with reference to consolidated financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of the internal controls based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error.

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

Meaning of Internal Financial Controls with Reference to Financial Statements

5. A company's internal financial controls with reference to consolidated financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial controls with reference to consolidated financial statements includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;

(2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls with Reference to Financial Statements

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

Other Matters

7. The auditors of IDBI-Federal Life Insurance Company Limited ('the associate') have reported, 'The actuarial valuation of the liabilities for life policies in force and for discontinued policies where liability exists is the responsibility of the Company's Appointed Actuary ('the appointed Actuary'). The actuarial valuation of these liabilities as at March 31, 2020 has been

duly certified by the Appointed Actuary and in his opinion, the assumption for such valuation are in accordance with guidelines and norms issued by the IRDAI and the Actuarial Society of India in concurrence with the Authority. We have relied upon the Appointed Actuary's certificate in this regard for forming our opinion on the financial statements of the Company.'

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

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

For B S R & Co. LLP

Chartered Accountants
Firm's Registration No:
101248W / W-100022

Akeel Master

Partner
Membership No: 046768
ICAI UDIN: 20046768AAAAIM8688

Mumbai
28 May 2020

For M.M. Nissim & Co.

Chartered Accountants
Firm's Registration No:
107122W

Varun P Kothari

Partner
Membership No: 115089
ICAI UDIN:20115089AAIN2079

Mumbai
28 May 2020

THE FEDERAL BANK LIMITED
CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2020

(₹ in Thousands)

	Schedule	As at March 31, 2020	As at March 31, 2019
CAPITAL AND LIABILITIES			
Capital	1	3,985,325	3,970,096
Reserves and surplus	2	144,238,256	131,012,444
Minority interest	2A	1,809,643	804,598
Deposits	3	1,522,519,073	1,348,789,321
Borrowings	4	125,277,199	87,062,913
Other liabilities and provisions	5	35,703,762	33,885,296
TOTAL		1,833,533,258	1,605,524,668
ASSETS			
Cash and balances with Reserve Bank of India	6	61,825,426	64,226,685
Balances with banks and money at call and short notice	7	65,747,653	36,308,004
Investments	8	357,153,933	316,756,971
Advances	9	1,248,494,994	1,115,359,205
Fixed assets	10	5,048,118	4,799,330
Other assets	11	95,263,134	68,074,473
TOTAL		1,833,533,258	1,605,524,668
Contingent liabilities	12	344,638,154	293,480,695
Bills for collection		37,676,464	35,428,061
Significant accounting policies	17		
Notes on accounts	18		
Schedules referred to above form an integral part of the Consolidated Balance Sheet			

For and on behalf of the Board of Directors

 Krishnakumar K
Senior Vice President

 Samir P Rajdev
Company Secretary

 Ashutosh Khajuria
Executive Director & CFO
(DIN:05154975)

 Shalini Warriar
Executive Director
(DIN: 08257526)

 Grace Elizabeth Koshie
Chairperson
(DIN: 06765216)

 Shyam Srinivasan
Managing Director & CEO
(DIN:02274773)

As per our report of even date

Directors:
For B S R & Co. LLP
Chartered Accountants
Firm's Reg.No: 101248W/W-100022

For M. M. Nissim & Co.
Chartered Accountants
Firm's Registration No: 107122W

 Shubhalakshmi Panse (DIN : 02599310)
C Balagopal (DIN : 00430938)
A P Hota (DIN : 02593219)
K Balakrishnan (DIN : 00034031)
Siddhartha Sengupta (DIN : 08467648)
Manoj Fadnis (DIN : 01087055)
Sudarshan Sen (DIN : 03570051)

 Akeel Master
Partner
Membership No.046768
Place: Mumbai

 Varun P Kothari
Partner
Membership No. 115089
Place: Mumbai

 Place: Kochi
Date : May 28, 2020

THE FEDERAL BANK LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2020

(₹ in Thousands)

	Schedule	Year ended March 31, 2020	Year ended March 31, 2019
I. INCOME			
Interest earned	13	135,903,904	116,354,392
Other income	14	18,818,113	13,352,165
TOTAL		154,722,017	129,706,557
II. EXPENDITURE			
Interest expended	15	86,783,092	73,163,252
Operating expenses	16	35,467,071	28,365,765
Provisions and contingencies		16,944,181	15,352,309
TOTAL		139,194,344	116,881,326
III. NET PROFIT FOR THE YEAR		15,527,673	12,825,231
Less: Minority interest		102,800	17,960
Add: Share in Profit of Associates		377,087	355,624
IV. CONSOLIDATED NET PROFIT ATTRIBUTABLE TO GROUP		15,801,960	13,162,895
Balance in Profit and Loss Account brought forward from previous year		22,747,623	17,899,138
Less: Minority interest pertaining to Pre-acquisition profit (Note 2 of Schedule 17)		69,757	123,336
V. AMOUNT AVAILABLE FOR APPROPRIATION		38,479,826	30,938,697
VI. APPROPRIATIONS			
Transfer to Revenue Reserve		1,474,611	1,439,300
Transfer to Statutory Reserve		3,856,953	3,109,700
Transfer to Capital Reserve		1,358,289	344,800
Transfer to Special Reserve		960,000	840,000
Transfer to Reserve fund		58,502	70,168
Dividend pertaining to previous year paid during the year (Note 1.1 E of Schedule 18)		2,782,229	1,980,092
Tax on dividend (Note 1.1 E of Schedule 18)		571,895	407,014
Balance carried over to Consolidated Balance Sheet		27,417,347	22,747,623
TOTAL		38,479,826	30,938,697
Earnings per share (Face value of ₹ 2/- each) (₹)(Note 1.6 of Schedule 18)			
Basic		7.94	6.65
Diluted		7.88	6.60
Significant accounting policies	17		
Notes on accounts	18		
Schedules referred to above form an integral part of the Consolidated Profit and Loss account			

Krishnakumar K
Senior Vice President

Samir P Rajdev
Company Secretary

For and on behalf of the Board of Directors

Ashutosh Khajuria
Executive Director & CFO
(DIN:05154975)

Shalini Warriar
Executive Director
(DIN:08257526)

Grace Elizabeth Koshie
Chairperson
(DIN:06765216)

Shyam Srinivasan
Managing Director & CEO
(DIN:02274773)

As per our report of even date

For B S R & Co. LLP
Chartered Accountants
Firm's Reg.No: 101248W/W-100022

For M. M. Nissim & Co
Chartered Accountants
Firm's Registration No: 107122W

Directors:

Shubhalakshmi Panse (DIN : 02599310)
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Manoj Fadnis (DIN : 01087055)
Sudarshan Sen (DIN : 03570051)

Akeel Master
Partner
Membership No.046768
Place: Mumbai

Varun P Kothari
Partner
Membership No. 115089
Place: Mumbai

Place: Kochi
Date : May 28, 2020

THE FEDERAL BANK LIMITED
CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2020

(₹ in Thousands)

	Year ended March 31, 2020	Year ended March 31, 2019
Cash Flow from Operating Activities		
Net Profit before taxes	20,873,947	19,938,655
Adjustments for:		
Depreciation on Group's Property	1,257,270	1,222,579
Depreciation on Investments	635,001	990,892
Amortisation of Premium on Held to Maturity Investments	740,116	528,891
Provision for Non Performing Investments	53,733	202,800
Provision / Charge for Non Performing Assets	10,124,852	6,339,460
Provision for Standard Assets	1,118,079	1000,773
(Profit)/ Loss on sale of fixed assets (net)	(51,724)	(182,012)
(Income) / Loss From Associate	(377,087)	(355,624)
Provision for Restructured assets	(103,017)	-
Provision for Other Contingencies	43,545	42,623
	34,314,715	29,729,037
Adjustments for working capital changes:-		
(Increase)/ Decrease in Investments [excluding Held to Maturity Investments]	4,022,630	20,396,660
(Increase)/ Decrease in Advances	(143,260,641)	(191,589,788)
(Increase)/ Decrease in Other Assets	(26,143,694)	(7,166,039)
Increase/ (Decrease) in Deposits	173,729,752	229,088,308
Increase/ (Decrease) in Other liabilities and provisions	1,653,577	5,438,970
	10,001,624	56,168,111
Direct taxes paid	(7,010,671)	(7,170,785)
Net Cash Flow from / (Used in) Operating Activities	37,305,668	78,726,363
Cash Flow from Investing Activities		
Purchase of Fixed Assets	(1,544,635)	(1,441,702)
Proceeds from Sale of Fixed Assets	90,301	215,265
Investment in Subsidiaries	(642,000)	(50,000)
Investment in Associate	(6,661)	(68,490)
(Increase)/ Decrease in Held to Maturity Investments	(44,822,694)	(32,455,312)
Net Cash generated / (Used in) Investing Activities	(46,925,689)	(33,800,239)

THE FEDERAL BANK LIMITED

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2020 (CONTD...)

(₹ in Thousands)

	Year ended March 31, 2020	Year ended March 31, 2019
Cash Flow from Financing Activities		
Proceeds from Issue of Share Capital	15,229	2,5811
Proceeds from Share Premium	825,666	1,567,393
Increase / (Decrease) in Minority Interest	913,658	637,451
Proceeds from Issue of Subordinate Debt	3,000,000	-
Increase/(Decrease) in Borrowings (Excluding Subordinate Debt)	35,214,286	(36,209,656)
Dividend Paid (Including Tax on Dividend)	(3,354,125)	(2,387,106)
Net Cash generated from financing Activities	36,614,714	(36,366,107)
Effect of exchange fluctuation on translation reserve	43,697	22,542
Increase/(Decrease) in Cash and Cash Equivalents	27,038,390	8,582,559
Cash and Cash Equivalents at the beginning of year	100,534,689	91,952,130
Cash and Cash Equivalents at the end of year	127,573,079	100,534,689

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

		For and on behalf of the Board of Directors	
Krishnakumar K Senior Vice President	Samir P Rajdev Company Secretary	Ashutosh Khajuria Executive Director & CFO (DIN:05154975)	Shalini Warriar Executive Director (DIN: 08257526)
		Grace Elizabeth Koshie Chairperson (DIN: 06765216)	Shyam Srinivasan Managing Director & CEO (DIN:02274773)
As per our report of even date		<u>Directors:</u>	
For B S R & Co. LLP Chartered Accountants Firm's Reg.No: 101248W/W-100022	For M. M. Nissim & Co. Chartered Accountants Firm's Registration No: 107122W	Shubhalakshmi Panse C Balagopal A P Hota K Balakrishnan Siddhartha Sengupta Manoj Fadnis Sudarshan Sen	(DIN : 02599310) (DIN : 00430938) (DIN : 02593219) (DIN : 00034031) (DIN : 08467648) (DIN : 01087055) (DIN : 03570051)
Akeel Master Partner Membership No.046768 Place: Mumbai	Varun P Kothari Partner Membership No. 115089 Place: Mumbai		
Place: Kochi Date : May 28, 2020			

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

(₹ in Thousands)

	As at March 31, 2020	As at March 31, 2019
SCHEDULE 1 - CAPITAL		
Authorised Capital	5,000,000	5,000,000
2,500,000,000 (Previous year 2,500,000,000) Equity Shares of ₹2/- each		
Issued Capital	3,988,015	3,972,789
1,994,007,367 (Previous year 1,986,394,498) Equity Shares of ₹ 2/-each		
Subscribed, Called-up and Paid-up Capital	3,985,329	3,970,100
1,992,664,572 (Previous year 1,985,050,203) Equity Shares of ₹2/-each		
Less: Calls in arrears	4	4
Total	3,985,325	3,970,096
Refer Note 1.1 of Schedule 18		
SCHEDULE 2 - RESERVES AND SURPLUS		
I. Statutory Reserve		
Opening balance	25,977,029	22,867,329
Additions during the year	3,856,953	3,109,700
	29,833,982	25,977,029
II. Capital Reserves		
(a) Revaluation Reserve		
Opening balance	50,091	50,091
Additions during the year	-	-
	50,091	50,091
(b) Others		
Opening balance	3,687,716	3,342,916
Additions during the year*	1,358,289	344,800
	5,046,005	3,687,716
	5,096,096	3,737,807
III. Share premium (Also refer Note 1.1 of Schedule 18)		
Opening balance	52,348,326	50,780,933
Additions during the year	844,463	1,594,448
Deductions during the year	18,797	27,055
	53,173,992	52,348,326
IV. Revenue and Other Reserves		
(a) Revenue Reserve		
Opening Balance	18,695,880	17,256,580
Additions during the year	1,474,611	1,439,300
Deductions during the year	-	-
	20,170,491	18,695,880
(b) Investment Fluctuation Reserve		
Opening Balance	1,897,200	1,897,200
Additions during the year	-	-
	1,897,200	1,897,200

THE FEDERAL BANK LIMITED

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

(₹ in Thousands)

	As at March 31, 2020	As at March 31, 2019
(c) Special Reserve (As per section 36(1)(viii) of Income Tax Act)		
Opening balance	5,079,900	4,239,900
Additions during the year	960,000	840,000
	6,039,900	5,079,900
V. Foreign Currency Translation Reserve		
Opening Balance	19,791	(2,751)
Additions / (Deductions) during the year [Refer Schedule 17 (5.5)]	43,697	22,542
	63,488	19,791
VI. Contingency Reserve		
Opening balance	301,003	301,003
	301,003	301,003
VII. Reserve Fund		
Opening balance	207,032	180,496
Additions during the year	79,057	70,168
Deductions during the year	42,096	43,632
	243,993	207,032
VIII. General Reserve		
Opening balance	853	1,033
Additions during the year	-	-
Deductions during the year	89	180
	764	853
IX. Cash flow Hedging Reserve		
Opening balance	-	(15,813)
Additions during the year	-	15,813
	-	-
X. Balance in Consolidated Profit and Loss Account	27,417,347	22,747,623
Total	144,238,256	131,012,444

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

- Gain on sale of Held to Maturity Investments ₹ 1,336,850 Thousands (Previous year ₹ 260,221 Thousands)
- Profit on sale of Premises ₹ 21,439 Thousands (Previous year ₹ 84,579 Thousands)

THE FEDERAL BANK LIMITED
SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET (CONTD...)

(₹ in Thousands)

	As at March 31, 2020	As at March 31, 2019
SCHEDULE 2A - MINORITY INTEREST		
Minority interest at the date on which parent-subsiary relationship came into existence	786,638	786,638
Subsequent increase	1,023,005	17,960
	1,809,643	804,598
SCHEDULE 3 - DEPOSITS		
A. I. Demand Deposits		
i. From Banks	2,201,459	4,800,620
ii. From Others	79,815,030	81,973,323
	82,016,489	86,773,943
II. Savings Bank Deposits		
	385,344,370	349,785,547
III. Term Deposits		
i. From Banks	31,507,478	19,060,109
ii. From Others	1,023,650,736	893,169,722
	1,055,158,214	912,229,831
Total	1,522,519,073	1,348,789,321
B. I. Deposits of branches in India		
II. Deposits of branches outside India	1,521,643,190	1,348,014,785
	875,883	774,536
Total	1,522,519,073	1,348,789,321
SCHEDULE 4 - BORROWINGS		
I. Borrowings in India		
i. Reserve Bank of India	19,880,000	5,000,000
ii. Other Banks	20,314,686	11,865,303
iii. Other institutions and agencies	59,347,522	46,666,600
Total	99,542,208	63,531,903
II. Borrowings outside India		
	25,734,991	23,531,010
Total	125,277,199	87,062,913
Secured borrowings included in I and II above	101,338,611	56,182,049
SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS		
I. Bills Payable	1,803,851	4,067,915
II. Inter - office adjustments (Net)	-	5,405
III. Interest accrued	3,104,896	3,154,722
IV. Others (including provisions)*	30,795,015	26,657,254
Total	35,703,762	33,885,296
*Includes		
(a) General provision for standard assets	6,405,053	5,348,829
(b) Deferred Tax Liability	66,209	959,927

THE FEDERAL BANK LIMITED

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

(₹ in Thousands)

	As at March 31, 2020	As at March 31, 2019
SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA		
I. Cash in hand (including foreign currency notes)	13,813,235	7,037,300
II. Balance with Reserve Bank of India		
i. in Current Accounts	48,012,191	57,189,385
ii. in Other Accounts	-	-
Total	61,825,426	64,226,685
SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE		
I. In India		
i. Balances with banks		
a. in Current Accounts	8,426,874	1,207,196
b. in Other Deposit Accounts	1,880,000	250,000
ii. Money at call and short notice		
a. With Banks	2,750,000	-
b. With other institutions	38,250,000	21,650,558
Total	51,306,874	23,107,754
II. Outside India		
i. in Current Accounts	5,704,165	3,922,812
ii. in Other Deposit Accounts	7,374,644	8,240,113
iii. Money at call and short notice	1,361,970	1,037,325
Total	14,440,779	13,200,250
Grand Total (I and II)	65,747,653	36,308,004

THE FEDERAL BANK LIMITED
SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET (CONTD...)

(₹ in Thousands)

	As at March 31, 2020	As at March 31, 2019
SCHEDULE 8 - INVESTMENTS		
I. Investments in India in :		
i. Government Securities ##	317,607,101	273,508,149
ii. Other approved Securities	-	-
iii. Shares#	4,342,661	2,445,434
iv. Debentures and Bonds	14,686,492	12,028,568
v. Joint Venture*	2,453,062	2,373,419
vi. Others @	17,303,679	26,397,781
Total	356,392,995	316,753,351
II. Investments outside India		
i. Government Securities (including Local authorities)	756,555	-
ii. Subsidiaries / Joint Ventures abroad	-	-
iii. Other investments (Shares)	4,383	3,620
Total	760,938	3,620
Grand Total (I and II)	357,153,933	316,756,971
Gross Investments		
In India	360,825,605	320,751,371
Outside India	760,938	3,753
Total	361,586,543	320,755,124
Depreciation/ Provision for Investments		
In India	4,432,610	3,998,020
Outside India	-	133
Total	4,432,610	3,998,153
Net Investments		
In India	356,392,995	316,753,351
Outside India	760,938	3,620
Total	357,153,933	316,756,971

Securities costing ₹70,234,352 Thousands (Previous Year ₹48,222,203 Thousands) pledged for avilment of fund transfer facility, clearing facility and margin requirements.

Includes Cost of Investment in Associate amounting to ₹66,239 Thousands (Previous Year ₹68,490 Thousands) including Goodwill of ₹45,582 Thousands (Previous Year ₹45,582 Thousands)

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

@ Comprises of:

(₹ in Thousands)

Particulars	As at March 31, 2020	As at March 31, 2019
Pass through certificates (PTCs)	3,179,372	4,979,229
Certificate of Deposits	8,426,645	16,768,658
Commercial Paper	1,952,494	480,833
Venture Capital Funds (VCFs)	963,367	654,661
Security Receipts	2,381,801	3,514,400
Mutual Fund	400,000	-
Others	-	-
	17,303,679	26,397,781

THE FEDERAL BANK LIMITED

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

(₹ in Thousands)

	As at March 31, 2020	As at March 31, 2019
SCHEDULE 9 - ADVANCES (NET OF PROVISIONS)		
A. i. Bills purchased and discounted	50,037,816	49,568,212
ii. Cash credits, overdrafts and loans repayable on demand	554,542,514	513,851,887
iii. Term loans	643,914,664	551,939,106
Total	1,248,494,994	1,115,359,205
B. i. Secured by tangible assets*	1,041,671,392	933,078,243
ii. Covered by Bank/Government guarantees #	23,853,476	19,555,065
iii. Unsecured	182,970,126	162,725,897
Total	1,248,494,994	1,115,359,205
C.I. Advances in India		
i. Priority sectors	296,524,927	300,456,563
ii. Public sector	1,307,504	2,731,508
iii. Banks	3,500,000	334,722
iv. Others	923,619,663	789,275,218
Total	1,224,952,094	1,092,798,011
C.II. Advances outside India		
i. Due from Banks	808,103	-
ii. Due from Others		
a) Bills purchased and discounted	-	899,921
b) Syndicated Loans	9,326,488	11,536,661
c) Others	13,408,309	10,124,612
Total	23,542,900	22,561,194
Grand Total (C I and C II)	1,248,494,994	1,115,359,205

* Includes Advances against book debts

Includes Advances against Letter of credit issued by banks

THE FEDERAL BANK LIMITED
SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET (CONTD...)

(₹ in Thousands)

	As at March 31, 2020	As at March 31, 2019
SCHEDULE 10 - FIXED ASSETS		
I OWNED ASSETS		
a.Premises #		
Gross Block		
At the beginning of the year	2,416,139	2,419,706
Additions during the year	-	-
Deductions during the year	13,907	3,567
At the end of the year	2,402,232	2,416,139
Depreciation		
As at the beginning of the year	946,441	900,506
Charge for the year	45,917	48,411
Deductions during the year	9,513	2,476
Depreciation to date	982,845	946,441
Net Block	1,419,387	1,469,698
b.Other fixed assets		
(including furniture and fixtures)		
Gross Block		
At the beginning of the year	11,825,450	10,965,783
Additions during the year	1,452,041	1,354,384
Deductions during the year	1,045,379	494,717
At the end of the year	12,232,112	11,825,450
Depreciation		
As at the beginning of the year	8,679,340	7,967,727
Charge for the year	1,217,253	1,174,168
Deductions during the year	1,017,096	462,555
Depreciation to date	8,879,497	8,679,340
Net Block	3,352,615	3,146,110
II. Capital Work in progress (Including Capital Advances)	276,116	183,522
Total (I & II)	5,048,118	4,799,330

Includes buildings constructed on leasehold land at different places having original cost of ₹659,861 Thousands (Previous Year ₹659,861 Thousands) and Written down value of ₹464,092 Thousands (Previous Year ₹475,256 Thousands) with remaining lease period varying from 57 - 69 years.

THE FEDERAL BANK LIMITED

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

(₹ in Thousands)

	As at March 31, 2020	As at March 31, 2019
SCHEDULE 11 - OTHER ASSETS		
I. Inter - office adjustments (net)	-	-
II. Interest accrued	10,849,208	8,673,231
III. Tax paid in advance/tax deducted at source (Net of provision)	10,728,633	9,683,666
IV. Stationery and Stamps	6,731	3,479
V. Non-banking assets acquired in satisfaction of claims*	24,376	26,587
VI. Others#	73,654,186	49,687,510
Total	95,263,134	68,074,473
* - Includes certain Non-Banking assets acquired in satisfaction of claims which are in the process of being transferred in the Bank's name.		
# Includes		
Priority sector shortfall deposits	60,167,801	39,754,250
SCHEDULE 12 - CONTINGENT LIABILITIES		
I. Claims against the Bank not acknowledged as debts	14,559,765	10,435,047
II. Liability on account of outstanding forward exchange contracts**	247,702,742	216,818,222
III. Guarantees given on behalf of constituents - in India	65,911,076	49,831,684
IV. Acceptances, endorsements and other obligations	14,105,927	14,698,846
V. Other items for which the Bank is contingently liable@	2,358,644	1,696,896
Total	344,638,154	293,480,695
(Refer Note 1.14 of Schedule 18)		
** - Including Derivatives		
@ - includes ₹1,773,742 Thousands (Previous Year : ₹1,145,572 Thousands) being amount transferred to DEA Fund Cell, RBI and outstanding, as per RBI circular DBOD. No.DEAF Cell.BC.114/30.01.002/2013-14.		

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

(₹ in Thousands)

	Year ended March 31, 2020	Year ended March 31, 2019
SCHEDULE 13 - INTEREST EARNED		
I. Interest/discount on advances/bills	110,451,811	93,041,226
II. Income on investments	21,854,988	20,393,592
III. Interest on balances with Reserve Bank of India and other inter-bank funds	1,399,639	734,688
IV. Others*	2,197,466	2,184,886
Total	135,903,904	116,354,392
* - Includes interest on Income tax refunds amounting to ₹1,878 Thousands (Previous year ₹341,251 Thousands) accounted based on Assessment orders received.		
SCHEDULE 14 - OTHER INCOME		
I. Commission, exchange and brokerage	9,640,542	7,812,104
II. Profit on sale of investments (Net)	6,079,246	2,291,075
III. Profit on revaluation of investments (Net)	-	-
IV. Profit / (Loss) on sale of land, buildings and other assets (Net)	51,724	182,012
V. Profit on foreign exchange transactions (Net)	2,384,773	2,356,789
VI. Income earned by way of dividends etc. from companies in India	667	-
VII. Miscellaneous income**	661,161	710,185
Total	18,818,113	13,352,165
** - Includes Recoveries in assets written off ₹522,418 Thousands (Previous year ₹435,841 Thousands)		

THE FEDERAL BANK LIMITED

SCHEDULES FORMING PART OF THE CONSOLIDATED PROFIT AND LOSS ACCOUNT (CONTD...)

(₹ in Thousands)

	Year ended March 31, 2020	Year ended March 31, 2019
SCHEDULE 15 - INTEREST EXPENDED		
I. Interest on deposits	81,003,652	67,425,806
II. Interest on Reserve Bank of India/Inter bank borrowings	914,103	1,137,434
III. Others	4,865,337	4,600,012
Total	86,783,092	73,163,252
SCHEDULE 16 - OPERATING EXPENSES		
I. Payments to and provisions for employees	18,759,804	14,256,610
II. Rent, taxes and lighting	3,217,217	2,842,977
III. Printing and stationery	259,878	294,436
IV. Advertisement and publicity	121,258	156,876
V. Depreciation on Bank's property	1,257,270	1,222,579
VI. Directors' fees, allowances and expenses	23,866	16,744
VII. Auditors' fees and expenses (including branch auditors' fees and expenses)	95,594	84,678
VIII. Law charges	208,710	139,020
IX. Postage, Telegrams, Telephones etc	787,675	670,527
X. Repairs and maintenance	760,413	671,458
XI. Insurance	1,427,808	1,196,951
XII. Other expenditure#	8,547,578	6,812,909
Total	35,467,071	28,365,765
# - Includes expenditure on Corporate Social Responsibility - ₹433,170 Thousands (Previous Year: ₹177,294 Thousands)		

THE FEDERAL BANK LIMITED

SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020

1. Background

The Federal Bank Limited ('FBL' or the 'Bank') together with its subsidiaries (collectively, the 'Group') and associates is a diversified financial services group providing a wide range of banking and financial services including commercial banking, retail banking, project and corporate finance, working capital finance, insurance and treasury products and services. Operations of the Group are spread all over India.

The Bank was incorporated in 1931 as Travancore Federal Bank Limited to cater to the banking needs of Travancore Province. It embarked on a phase of sustained growth under the leadership of Late K.P. Hormis. The bank is governed by Banking Regulation Act, 1949 and other applicable acts/ regulations.

The bank had set up an International Financial Service Centre (IFSC) Banking unit (IBU) in Gujarat International Finance Tec-City (GIFT City) in line with global financial centres of Singapore and Dubai. IBU at Gift city is equivalent to an Offshore Banking unit, for all regulatory purposes.

2. Principles of consolidation

- i) The consolidated financial statements relate to the Federal Bank Limited ('FBL' or the 'Bank'), its subsidiary companies and the Group's share of Profit in its associates. 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	
				March 31, 2020	March 31, 2019
Fedbank Financial Services Limited (FFSL)	Subsidiary Company	India	The Federal Bank Limited	74.00*	82.59
Federal Operations and Services Limited (FOSL)	Subsidiary Company	India	The Federal Bank Limited	100.00	100.00
IDBI Federal Life Insurance Company Limited	Associate	India	The Federal Bank Limited	26.00	26.00
Equirus Capital Private Limited	Associate	India	The Federal Bank Limited	8.74	8.74

*During the year, Fedbank Financial Services Limited issued 26,714,257 number of equity share of face value of ₹10/- each to True North Fund VI LLP on private placement basis. Pursuant which the Bank's shareholding in Fedbank Financial Services Limited decreased from 82.59% to 74.00%. Further, the company issued 16, 666, 668 number of equity shares to all existing share holder in their holding proposition at ₹ 48/- per share.

- (ii) The audited financial statements of the subsidiary companies and the audited financial statements of the associates have been drawn up to the same reporting date as that of the Bank, i.e. March 31, 2020.
- (iii) The financial statements of the Bank and its subsidiary companies have been combined on a line-by-line basis as per *AS 21 Consolidated Financial statements* by adding together like items of assets, liabilities, income and expenses, after eliminating intra-group balances, intra-group transactions and resulting unrealised profits or losses, unless cost cannot be recovered.
- (iv) The consolidated financial statements include the share of profit of the associate company which have been accounted for using equity method as per *AS 23 Accounting for Investments in Associates in Consolidated Financial Statements*. Accordingly, the share of profit of the associate company has been added to the cost of investment.
- (v) The consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the Bank's separate financial statements.
- (vi) Differences in accounting policies followed by the Subsidiary and associate have been reviewed and no adjustments have been made, since the impact of these differences is not significant.

3. Basis of accounting and preparation of consolidated financial statements

The consolidated financial statements of the Bank and its subsidiary (together the 'Group') have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards prescribed under Section 133 of the Companies Act, 2013 and the relevant provisions of the Companies Act, 2013 ("the Act") as applicable and current practices prevailing within the Banking Industry in India. Suitable adjustments are made to align with the format prescribed under the Banking Regulation Act, 1949. The consolidated financial statements have been prepared on accrual basis under historical cost convention, except in the case of interest income on Non- Performing Assets (NPAs) where it is recognised upon realisation as per RBI guidelines. The accounting policies adopted in

THE FEDERAL BANK LIMITED

SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (CONTD...)

the preparation of financial statements are consistent with those followed in the previous year.

4. Use of estimates

The preparation of the consolidated financial statements in conformity with 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.

5. Significant Accounting Policies

5.1. Revenue Recognition

The Bank

- Interest income is recognised on an accrual basis except interest income on non-performing assets, which is recognised upon receipt as specified in RBI guidelines.
- Interest on income tax refund is recognised in the year of receipt of Assessment Orders.
- The recoveries made from NPA accounts are appropriated first towards unrealized interest/income debited to borrowers accounts, then expenditure/out of pocket expenses incurred and lastly towards principal dues.
- Processing fees collected on loans disbursed, along with related loan acquisition costs are recognised at inception/Renewal of the loan.
- Income on discounted instruments is recognised over the tenure of the instrument on a straight line basis.
- Guarantee commission, commission on letter of credit and annual locker rent fees are recognised on a straight line basis over the period of contract. Other fees and commission income are recognised when due, except in cases where the bank is uncertain of ultimate collection.
- Dividend on Equity Shares, Preference Shares and on Mutual Funds is recognised as Income when the right to receive the dividend is established.
- Loan Syndication fee is accounted for on completion of the agreed service and when right to receive is established.
- In compromise settlement cases, sacrifice on settlement is accounted upfront.
- Unpaid funded interest on term loans are accounted on realisation as per the guidelines of RBI.
- The difference between the sale price and purchase cost of gold coins, received on consignment basis is included in other income. The Bank also deals in bullion on a borrowing and lending basis and the interest paid/received is accounted on an accrual basis.

Fedbank Financial Services Limited

- 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 "Systemically important non-Banking Financial (Non Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Direction,2016 " and the Accounting Standards specified under Section 133 of the Companies Act,2013 read with rule 7 of the Companies (Accounts) Rules, 2014 and the guidelines issued by the Reserve Bank of India as applicable to a NBFC-ND-SI. Overdue charges are recognized when the Company is certain of its realization.
- Interest on securities is accounted for on accrual basis except where the ultimate collection cannot be established with reasonable certainty.
- Processing Fees & Penal Charges are recognized on receipt basis.

Federal Operations and Services Limited

- Revenue from Operations is recognised as when services are rendered, as per the terms of Master Service Agreement entered into by the company.

THE FEDERAL BANK LIMITED

SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (CONTD...)

5.2. Advances

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

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

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

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

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

The Bank maintains general provision for standard assets including credit exposures computed as per the current marked-to-market values of interest rate and foreign exchange derivative contracts, in accordance with the guidelines and at levels stipulated by RBI from time to time.

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

Fedbank Financial Services Limited

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

5.3. Country risk

The Bank

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

5.4. Investments

The Bank

Classification

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

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

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

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

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

Transfer of securities between Categories

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

Acquisition Cost

In determining the acquisition cost of the Investment:

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

Valuation

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

- Held for Trading /Available for Sale – Investments classified under the AFS and HFT categories are marked-to-market. The market/fair value of quoted investments included in the 'AFS' and 'HFT' categories is the Market Price of the Scrip as available from the trades/ quotes on the stock exchanges or prices declared by Primary Dealers Association of India ('PDAI') jointly with Fixed Income Money Market and Derivative Associations of India ('FIMMDA') / Financial Benchmarks India Pvt Ltd. ('FBIL'), periodically. Net depreciation, if any, within each category of each investment classification is recognised in Profit and Loss Account. The net appreciation, if any, under each category of each Investment is ignored. Except in cases where provision for diminution other than temporary is created, the Book value of individual securities is not changed consequent to the periodic valuation of Investments.
- Held to Maturity– These are carried at their acquisition cost. Any premium on acquisition is amortized over the remaining maturity period of the security on a straight line basis. Any diminution, other than temporary, in the value of such securities is provided for.
- Treasury Bills, Commercial paper and Certificate of Deposits being discounted instruments, are valued at carrying cost.
- Units of Mutual Funds are valued at the latest repurchase price/net asset value declared by Mutual Fund.
- Market value of investments where current quotations are not available, is determined as per the norms prescribed by the RBI as under:
 - In case of unquoted bonds, debentures and preference shares where interest/dividend is received regularly (i.e. not overdue beyond 90 days), the market price is derived based on the Yield to Maturity (YTM) for Government Securities as published by FIMMDA/ PDAI/ FBIL 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/ FBIL are adopted for this purpose;
 - In case of bonds and debentures (including Pass Through Certificates or PTCs) where interest is not received regularly (i.e. overdue beyond 90 days), the valuation is in accordance with prudential norms for provisioning as prescribed by RBI;
 - Equity shares, for which current quotations are not available or where the shares are not quoted on the stock exchanges, are valued at break-up value (without considering revaluation reserves, if any) which is ascertained from the company's latest Balance Sheet. In case the latest Balance Sheet available is of a date earlier than one year from the date of valuation, the shares are valued at ₹ 1/- per company;
 - Depreciation on equity shares acquired and held by the Bank under SDR and S4A scheme is provided over a period of four calendar quarters from the date of conversion of debt into equity in accordance with the RBI guidelines.

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- 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 August 23, 2006 are categorized under HTM category for the initial period of three years and valued at cost as per RBI guidelines;
- In case of investments in security receipts on or after April 1, 2017 which are backed by more than 50 percent of the stressed assets sold by the Bank, provision for depreciation in value is made at the higher of - provisioning rate required in terms of net asset value declared by the Reconstruction Company ('RC')/Securitisation Company ('SC') or the provisioning rate as per the extant asset classification and provisioning norms as applicable to the underlying loans, assuming that the loan notionally continued in the books of the bank. All other investments in security receipts are valued as per the NAV obtained from the issuing RC/SCs.
- f) Investments in subsidiaries/associates as per RBI guidelines are categorized as HTM and assessed for impairment to determine permanent diminution, if any.
- g) The Bank follows settlement date method of accounting for purchase and sale of investments.
- h) Non Performing Investments are identified and valued based on RBI Guidelines.

Disposal of Investments

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

Repo and Reverse Repo transactions

Repo and reverse repo transactions in government securities and corporate debt securities including those conducted under the Liquidity Adjustment Facility ('LAF') and Marginal Standby Facility ('MSF') with RBI are accounted as collateralised borrowing and lending respectively. Borrowing cost on repo transactions is accounted as interest expense and revenue on reverse repo transactions is accounted as interest income.

Short Sales

In accordance with the RBI guidelines, the Bank undertakes short sale transactions in Central Government dated securities. The Short Sales positions are reflected in 'Securities Short Sold ('SSS') A/C', specifically created for this purpose. Such short positions are categorized under HFT category. These positions are marked -to-market along with the other securities under HFT Portfolio and resultant mark-to-market gains/losses are accounted for as per the relevant RBI guidelines for valuation of Investments discussed earlier.

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

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

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

5.5. Transactions involving foreign exchange**The Bank**

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

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Foreign currency monetary items of domestic operation are translated at the closing exchange rates notified by Foreign Exchange Dealer's Association of India (FEDAI) as at the Balance sheet date and the resulting net valuation profit or loss is recognized in the consolidated profit and loss account.

Both Monetary and Non- Monetary foreign currency Assets and liabilities of Non- Integral Foreign Operations are translated at closing exchange rates notified by FEDAI at the balance sheet date and the resulting profit/loss arising from exchange differences are accumulated in Foreign currency translation Reserve until remittance or the disposal of the net investment in the non-integral foreign operations in accordance with AS 11. Any realised gains or losses on such disposal are recognised in the consolidated Profit and Loss Account.

Foreign exchange spot and forward Contracts (Other than Foreign exchange swaps taken to hedge Federal Rupee plus deposits denominated in JPY) outstanding as at the Balance Sheet date are revalued at the closing Spot and Forward Rates respectively as notified by FEDAI and at interpolated rate for contracts of interim maturities. For valuation of contracts having longer maturities i.e greater than one year, the forward points (for rates/tenures not published by FEDAI) are obtained from Reuters for valuation of the FX Deals. As directed by FEDAI to consider profit or loss on present value basis, the forward profit or loss on the deals are discounted till the valuation date using the discounting yields. The resulting profit or loss on valuation is recognised in the Consolidated Profit and Loss Account.

Foreign exchange swaps taken to hedge Federal Rupee plus deposits denominated in JPY are translated at the prevailing spot rate at the time of swap. The Premium/ Discount on the swap arising out of the difference in the exchange rate of the swap date and maturity date of the underlying forward exchange contract is amortised over the period of the swap and the same is recognised in the Consolidated Profit and Loss Account.

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

5.6. Derivative transactions

The Bank

The Bank recognises all derivative contracts at fair value, on the date on which the derivative contracts are entered into and are re-measured at fair value as at the Balance sheet or reporting dates. Derivatives are classified as assets when the fair value is positive (Positive marked-to-market) or as liabilities when the fair value is negative (negative marked-to-market). Changes in the fair value of derivatives other than those designated as hedges are recognised in the Consolidated Profit and Loss Account.

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The company enters into derivative contracts in the nature of Cross Currency Interest Rate Swaps, Foreign Currency Forwards, etc. with an intention to hedge its existing assets and liabilities in foreign currency. Derivative contracts which are closely linked to the existing assets and liabilities are accounted as per the policy stated for foreign currency transactions and translations.

Derivative contracts designated as a hedging instrument for highly probable forecast transactions are accounted as per the policy stated for Hedge Accounting.

All other derivative contracts are marked to market and losses are recognised in the statement of Profit and Loss. Gains arising on the same are not recognised, until realised, on grounds of prudence.

5.7. Proposed Dividend

Group

In terms of Accounting Standard (AS) 4 "Contingencies and Events occurring after the Balance sheet date" as notified by the Ministry of Corporate affairs through amendments to Companies (Accounting Standards) Amendment Rules, 2016 dated March 30, 2016, Proposed Dividend or Dividend declared after balance sheet date are not shown as liability in current year balance sheet. This is disclosed in the notes to accounts.

5.8. Fixed assets and depreciation

The Bank

Fixed assets are carried at cost of acquisition less accumulated depreciation and impairment, if any. Cost includes cost of purchase and all

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expenditure like freight, duties, taxes and incidental expenses related to the acquisition and installation of the asset. Taxes like GST paid on Fixed assets are availed as ITC as per GST rules.

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

Depreciation on fixed assets, including amortisation of software, is charged over the estimated useful life of fixed assets on a straight-line basis at the rates and manner prescribed in Schedule II of the Companies Act, 2013, except as mentioned below:

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

Depreciation on assets sold during the year is recognised on a pro-rata basis till the date of sale.

Profit on sale of premises is appropriated to Capital Reserve account (Net of applicable taxes and transfer to statutory reserves) in accordance with RBI instructions.

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- Tangible Assets are carried at their cost of acquisition less accumulated depreciation and impairment losses, if any. Cost Includes Freight, duties, taxes and other incidental expenses and expenses on installation of the assets.
- Depreciation/amortization on assets is charged based on the useful life of the assets as prescribed under Schedule II of the Companies Act, 2013.
- Lease hold improvements are being amortized over the period of lease.
- Intangible assets include computer software which are carried at cost of acquisition less accumulated amortization and amortized on an Straight Line Method (SLM) basis over the estimated useful lives of 3 years on a pro rata basis.

Federal Operations and services Limited

- The cost of leaseholds Improvements are amortised on a straight line basis over the lease period.
- The cost of software is capitalized as intangible asset and amortised on a straight line basis over the useful life of 5 years.

5.9. Impairment of Assets

Group

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

5.10. Non-Banking Assets

The Bank

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

5.11. Retirement and other employee benefits

The Bank

a) Provident Fund

The contribution made by the bank to The Federal Bank Employees Provident Fund, administered by the trustees is charged to Consolidated Profit and Loss account.

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b) Pension Fund

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

c) Gratuity

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

d) Compensation for absence on Privilege / Sick / Casual Leave and Leave Travel Concession (LTC)

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

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

e) New Pension Scheme ('NPS')

Employees who joined the services of the Bank on or after April 01, 2010 are covered under New Pension Scheme. Bank contributes certain percentage of the sum of basic salary and dearness allowance of employees to the aforesaid scheme, a defined contribution plan, which is managed and administered by pension fund management companies. NPS contributions are recognised in the Profit and Loss Account in the period in which they accrue.

f) Other employee Benefits

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

Fedbank Financial Services Limited

a) Short Term Employee Benefits

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

b) Defined Contribution Plan

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

c) Defined Benefit Plan

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

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.

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Federal Operations and Services Limited

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

5.12. Segment information

The disclosure relating to segment information is in accordance with the guidelines issued by RBI.

5.13. Lease transactions

Operating Lease

Group

Leases where the lessor effectively retains substantially all the risks and benefits of ownership over the lease term are classified as operating lease. Lease payments for assets taken on operating lease are recognised as an expense in the Consolidated Profit and Loss Account as per the lease terms.

5.14. Earnings per Share

Group

The Group reports basic and diluted earnings per share in accordance with AS 20, Earnings per Share, as prescribed under Section 133 of the Companies Act, 2013. Basic earnings per share is computed by dividing the net profit after tax by the weighted average number of equity shares outstanding for the year.

Diluted earnings per share reflect the potential dilution that could occur if securities or other contracts to issue equity shares were exercised or converted during the year. Diluted earnings per share is computed using the weighted average number of equity shares and dilutive potential equity shares outstanding at the year end.

5.15. Taxation

Group

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

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

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

The Group Offsets Deferred Tax Assets and Deferred Tax Liabilities, and advance Income tax and provision for tax, if it has a legally enforceable right and these relate to taxes on income levied by the same governing taxation laws.

Current and deferred tax relating to items directly recognised in reserves are adjusted in reserves and not in Consolidated Profit and Loss

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Account.

Minimum Alternate Tax (MAT) paid in accordance with the tax laws, which gives future economic benefits in the form of adjustment to future income tax liability, is considered as an asset if there is convincing evidence that the Group will pay normal income tax. Accordingly, MAT is recognised as an asset in the Consolidated Balance Sheet when it is highly probable that future economic benefit associated with it will flow to the Group.

5.16. Provisions, contingent liabilities and contingent assets

Group

A provision is recognised when the Group has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions (excluding retirement benefits) are not discounted to its present value and are determined based on best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates.

A disclosure of contingent liability is made when there is:

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

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.

5.17. Debit card reward points

The Bank

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

5.18. Employee Stock Option Scheme

The Bank

The Bank has formulated Employee Stock Option Scheme (ESOS) 2010 & Employee Stock Option Scheme (ESOS) 2017 and is 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 bank follows 'Intrinsic value method' for accounting of ESOS based on which, 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.

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

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

5.19. Share issue expenses***Group***

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

5.20. Corporate Social Responsibility***Group***

Spends towards corporate social responsibility, in accordance with Companies Act, 2013 are recognised in the Consolidated Profit and Loss Account.

5.21. Input Credit under GST***Group***

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

5.22. Priority Sector Lending Certificates (PSLC)***The Bank***

The Bank vide RBI circular FIDD.CO.Plan.BC.23/ 04.09.01/2015-16 dated April 7, 2016 trades in priority sector portfolio by selling or buying PSLC. There is no transfer of risks or loan assets in these transactions. The fee paid for purchase of the PSLC is treated as an 'Expense' and the fee received from the sale of PSLCs is treated as 'Other Income'.

5.23. Cash and Cash Equivalents***Group***

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

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SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020

Amounts in Notes forming part of the Consolidated Financial Statements for the year ended March 31, 2020 are denominated in Rupees Crore to conform to extant RBI guidelines except where stated otherwise.

1.1. Share Capital:

A. Equity Issue

During the year ended March 31, 2020, the Bank has allotted 7,612,869 equity shares consequent to exercise of ESOS and 1,500 equity shares pertaining to Rights issue of 2007, which resulted in an increase of ₹1.52 Crore in Share Capital and ₹31.31 Crore in Share premium account.

During the year ended March 31, 2019, the Bank has allotted 12,905,764 equity shares consequent to exercise of ESOS which resulted in an increase of ₹2.58 Crore in Share Capital and ₹52.79 Crore in Share premium account.

B. Subscribed and paid up capital includes:

- 16,590 shares of ₹2/- each (Previous Year 16,590 shares of ₹2/- each) issued for consideration other than cash.
- 31,802,641 underlying equity shares of ₹2/- each (Previous Year 29,273,675 equity shares of ₹2/- each) held by custodian on behalf of holders of Global Depository Receipts (GDRs).

C. The following allotments are kept pending following orders from various courts

- Allotment of 6,530 shares of ₹2/- each (Previous year 6,530 shares of ₹2/- each) pertaining to the Right issue of 1993 issued at premium of ₹5/- per share
- 262,100 shares of ₹2/- each (Previous year 262,100 shares of ₹2/- per share) pertaining to the Rights issue of 1996 issued at a premium of ₹28/- per Share
- 1,074,165 equity shares of ₹2/- each (Previous year 1,075,665 shares of ₹2/- per share), at a premium of ₹48/- per share pertaining to Rights issue of 2007

Issue of certificates/credit in demat account in respect of the following Bonus issues are kept in abeyance consequent to injunction orders from various courts.

- 406,670 shares of ₹2/- each (Previous year 407,670 shares of ₹2/- each) out of the Bonus issue of 2004 and
- 612,005 bonus shares of ₹2/- each (Previous year 613,505 bonus shares of ₹2/- each), out of the Bonus issue of 2015.

D. Employee Stock Option Scheme ("ESOS"):

The Bank

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

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

	March 31, 2020	March 31, 2019
Outstanding at the beginning of the year	24,147,513	38,476,532
Surrendered during the year	-	-
Granted during the year	-	-
Exercised during the year	7,123,602	12,903,339
Forfeited/lapsed during the year	966,570	1,425,680
Outstanding at the end of the year	16,057,341	24,147,513
Options exercisable	15,897,341	23,640,013

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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 May 10, 2012 decided to adopt 'Intrinsic value method' for accounting of ESOS, in terms of the power vested on them as per the resolution of EGM dated December 24, 2010.

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.

ii) Employee Stock Option Scheme 2017 (ESOS 2017)

Shareholders of the bank had approved The Federal Bank Limited Employee Stock Option Scheme 2017 (ESOS 2017) AGM held on July 14, 2017, as a Special Resolution, enabling the Board and/or the "Compensation Committee" to grant such number of equity shares, including options, of the Bank not exceeding 5% of the aggregate number of paid up equity shares of the Bank, in line with the guidelines of SEBI. Pursuant thereto, the Compensation Committee of the bank granted the following options:

(Number of Options)

	March 31, 2020	March 31, 2019
Outstanding at the beginning of the year	50,336,281	15,770,539
Surrendered during the year	-	-
Granted during the year	30,522,736	37,231,307
Exercised during the year	489,267	2,425
Forfeited/lapsed during the year	3,141,840	2,663,140
Outstanding at the end of the year	77,227,910	50,336,281
Options exercisable	28,840,450	7,766,862

As per SEBI guidelines the accounting for ESOS can be done either under the 'Intrinsic value basis' or 'Fair value basis'. As per the approval of shareholders, the Bank has adopted 'Intrinsic value method' for accounting of ESOS.

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.

iii) Effect of Fair value method of accounting ESOP:

If "Fair Value Method" had been adopted based on "Black-Scholes pricing model" for pricing and accounting of options, net profit would be lower by ₹ 56.49 Crore (Previous Year: ₹ 70.36 Crore). The modified basic and diluted earnings per share for the year, had the Bank followed Fair Value Method of accounting for ESOS compensation cost would be ₹ 7.47 and ₹ 7.42 (Previous Year: ₹ 5.93 and ₹ 5.80) respectively.

Federal Bank Financial Services Limited

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

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(Number of Options)

	March 31, 2020	March 31, 2019
Outstanding at the beginning of the year	-	-
Surrendered during the year	-	-
Granted during the year	5,571,351	-
Exercised during the year	-	-
Forfeited/lapsed during the year	60,000	-
Outstanding at the end of the year	5,511,351	-
Options exercisable	515,028	-

Effect of Fair value method of accounting ESOP

If "Fair Value Method" had been adopted based on "Black-Scholes pricing model" for pricing and accounting of options, net profit would be lower by ₹1.31 Crore (Previous Year: ₹Nil). 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 ₹1.64 and ₹1.64 (Previous Year: ₹Nil and ₹Nil) respectively.

Group

Effect of Fair value method of accounting ESOP

If "Fair Value Method" had been adopted based on "Black-Scholes pricing model" for pricing and accounting of options, net profit would be lower by ₹ 57.46 Crore (Previous Year: ₹ 70.36 Crore). The modified basic and diluted earnings per share for the year, had the Bank followed Fair Value Method of accounting for ESOS compensation cost would be ₹ 7.66 and ₹ 7.61 (Previous Year: ₹ 6.29 and ₹ 6.16) respectively.

E. Proposed Dividend and Tax on Proposed Dividend

The Reserve Bank of India, vide its circular dated April 17, 2020, has directed that banks shall not make any further dividend payouts from profits pertaining to the financial year ended March 31, 2020 until further instructions, with a view that banks must conserve capital in an environment of heightened uncertainty caused by COVID-19 pandemic. Accordingly, the Board of Directors of the Bank have not recommended any dividend for the year 2019-20 (Previous Year 70% i.e ₹ 1.40/- per Equity Share).

1.2 Employee Benefits (AS 15)

1.2.1 Defined Contribution Plan

The Bank

Provident Fund

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

New Pension Scheme

As per the industry level settlement dated April 27, 2010, employees who joined the services of the Bank on or after April 01, 2010 are not eligible for the defined benefit retirement plans (the "pension plan") 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 April 01, 2010.

The Subsidiaries

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

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Group

The Group makes Provident Fund, Employee State Insurance Scheme Contributions and Defined Contributory Pension Scheme for Qualifying Employees. Under the schemes, the Group is required to contribute a specified percentage of the payroll costs to fund the benefits. The Group recognised ₹ 5.26 Crore (Previous year: ₹ 2.46 Crore) for provident fund contributions ₹ 0.48 Crore (Previous Year: ₹ 0.30 Crore) for Employee State Insurance Scheme Contributions and ₹ 36.39 Crore (Previous year: ₹ 30.24 Crore) for DCPS in the consolidated Profit and Loss Account. The Contributions payable to these plans by the group are at the rates specified in the Rules of the Schemes.

1.2.2 Defined benefit plan
A. Gratuity
The Bank

The Bank provides for Gratuity, a defined benefit retirement plan (the "Gratuity Plan") covering the eligible employees. The Gratuity Plan provides a lump sum payment to vested employees on retirement, death, incapacitation or termination of employment, of an amount based on the respective employees' salary and the tenure of employment. Vesting occurs upon completion of five years of service as per Payment of Gratuity Act, 1972 and its amendment with effect from May 24, 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 Subsidiaries

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

B. Superannuation / Pension
The Bank

The Bank provides for monthly pension, a defined benefit retirement plan (the "pension plan") covering eligible employees. The pension plan provides a monthly pension after retirement of the employees till death and to the family after the death of the pensioner. The monthly pension is based on the respective employees' salary and the tenure of employment. Vesting occurs upon completion of ten years of service. 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, 2020.

i) Change in benefit obligations

(₹ in Crore)

Particulars	Gratuity Plan						Pension Plan	
	FBL		FFSL		FOSL		FBL	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Projected benefit obligation, beginning of the year	329.19	311.55	1.07	0.64	*	-	983.39	899.64
Current Service Cost	20.39	17.09	0.59	0.32	0.06	*	168.92	131.58
Interest cost	21.19	22.99	0.07	0.04	*	-	59.17	63.99
Actuarial (gain)/ loss	43.54	9.53	0.19	0.14	*	-	223.26	40.37
Benefits paid	(39.68)	(31.97)	(0.11)	(0.07)	-	-	(236.76)	(152.19)
Projected benefit obligation, end of the year	374.63	329.19	1.81	1.07	0.06	-	1,197.98	983.39

* denotes figures less than ₹ 1 lakh

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SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (CONTD...)
ii) Change in plan assets

(₹ in Crore)

Particulars	Gratuity Plan				Pension Plan	
	FBL		FFSL		FBL	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Plan assets at beginning of the year at fair value	334.23	265.75	1.10	-	978.09	893.06
Expected return on plan assets	24.53	21.82	0.09	0.04	73.26	71.18
Actuarial gain/(loss)	0.38	1.83	(0.01)	0.01	2.85	0.52
Employer's Contributions	49.84	76.80	0.41	1.04	312.49	165.52
Benefits paid	(39.68)	(31.97)	(0.10)	-	(236.76)	(152.19)
Plan assets at end of the year, at fair value	369.30	334.23	1.49	1.10	1,129.93	978.09

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		FOSL		FBL	
	March 31, 2020	March 31, 2019						
Fair value of plan assets at the end of the year	369.30	334.23	1.49	1.10	-	-	1,129.93	978.09
Present value of the defined benefit obligations at the end of the year	374.63	329.19	1.81	1.07	0.06	*	1,197.98	983.39
Liability/ (Asset) recognized in the Consolidated Balance Sheet	5.33	(5.04)	0.31	(0.03)	0.06	*	68.05	5.30

* denotes figures less than ₹1 lakh

iv) Gratuity / pension cost for the year ended March 31, 2020

(₹ in Crore)

Particulars	Gratuity Plan						Pension Plan	
	FBL		FFSL		FOSL		FBL	
	March 31, 2020	March 31, 2019						
Current Service cost	20.39	17.09	0.59	0.32	0.06	*	168.92	131.58
Interest cost	21.19	22.99	(0.02)	0.04	*	-	59.17	63.99
Expected return on plan assets	(24.53)	(21.82)	0.01	(0.04)	-	-	(73.26)	(71.18)
Actuarial (gain)/loss	43.15	7.69	0.19	0.12	*	-	220.41	39.85
Net Cost	60.20	25.96	0.77	0.45	-	-	375.24	164.24
Unamortised Gratuity expenditure of previous year expensed during current year#	-	53.58	-	-	-	-	-	-
Net Cost Debit to Consolidated Profit and Loss Account	60.20	79.54	0.77	0.45	0.06	*	375.24	164.24
Actual return on plan assets	24.91	23.65	-	-	-	*	76.11	71.70

* denotes figures less than ₹ 1 lakh

- Ministry of Labour and Employment, Government of India on March 29, 2018 has enhanced the gratuity ceiling to an employee under Payment of Gratuity Act, 1972 to ₹ 20 Lakhs from earlier limit of ₹ 10 lakhs. This change has resulted to an incremental gratuity liability amounting to ₹71.43 Crore. As per the RBI circular DBR.BP.9730/21.04.018/2017-18 dated April 27, 2018 the bank has an option to spread the impact of change in gratuity ceiling over four quarters beginning with the quarter ended March 31, 2018. The bank has availed the option to spread the incremental gratuity expenditure over four quarters beginning with the quarter ended March 31, 2018. Accordingly, during the quarter and year ended March 31, 2018 the bank has charged to the profit and loss account an amount of ₹17.85 crore and there was an unamortised gratuity expenditure of ₹ 53.58 Crore. However, during the quarter ended June 30, 2018, the bank has charged to the profit and loss account the entire unamortised gratuity expenditure of ₹ 53.58 Crore.

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v) Investment details of plan Assets

(₹in Crore)

Particulars	Gratuity Plan		Pension Plan	
	FBL		FBL	
	March 31,2020	March 31,2019	March 31,2020	March 31,2019
Central and state Government bonds	-	-	-	-
Other debt securities	-	-	7.99	10.99
Balance in Saving bank account with the Bank	2.42	2.62	4.14	2.68
Net current assets	0.01	0.01	0.53	5.87
Balance with LIC #	366.87	331.60	1,117.27	963.85
Total	369.30	334.23	1,129.93	983.39

- 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
a) Gratuity Plan
FBL (₹in Crore)

Particulars	March 31, 2020	March 31, 2019	March 31, 2018	March 31, 2017	March 31, 2016	March 31, 2015
Defined Benefit Obligations	374.63	329.19	311.55	260.48	246.09	209.34
Plan Assets	369.30	334.23	265.75	261.54	225.66	223.52
Surplus/(Deficit)	(5.33)	5.04	(45.80)	1.06	(20.43)	14.18
Experience adjustments on Plan Liabilities [Gain/(Loss)]	(10.09)	(6.56)	(7.08)	2.18	(46.00)	(6.31)
Experience Adjustments on Plan Assets [Gain/ (Loss)]	3.29	0.77	1.97	(0.42)	(1.97)	1.19

FFSL (₹in Crore)

Particulars	March 31, 2020	March 31, 2019	March 31, 2018	March 31, 2017	March 31, 2016	March 31, 2015
Defined Benefit obligations	1.81	1.07	0.64	0.46	0.19	0.08
Plan Assets	1.49	1.10	Nil	Nil	Nil	Nil
Surplus/(Deficit)	(0.31)	0.03	(0.64)	(0.46)	(0.19)	(0.08)
Experience adjustments on Plan Liabilities [Gain/ (Loss)]	(0.07)	0.04	0.05	0.03	0.10	(0.03)
Experience adjustments on Plan Assets [Gain/(Loss)]	(0.01)	0.01	NA	NA	NA	NA

NA – Not Applicable.

b) Pension Plan
FBL (₹in Crore)

Particulars	March 31, 2020	March 31, 2019	March 31, 2018	March 31, 2017	March 31, 2016	March 31, 2015
Defined Benefit Obligations	1,197.98	983.39	899.64	737.38	637.50	587.48
Plan Assets	1,129.93	978.09	893.06	746.33	578.27	544.40
Surplus/(Deficit)	(68.05)	(5.30)	(6.58)	8.95	(59.23)	(43.08)
Experience adjustments on Plan Liabilities [Gain/(Loss)]	(95.10)	(39.39)	(33.27)	93.67	(142.49)	(79.75)
Experience adjustments on Plan Assets [Gain/(Loss)]	7.54	(3.14)	9.60	6.66	0.18	2.19

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vii) Assumptions

Particulars	Gratuity Plan						Pension Plan	
	FBL		FFSL		FOSL		FBL	
	March 31,2020	March 31,2019						
Discount rate	6.85%	7.78%	5.59%	6.85%	6.71%	7.79%	6.84%	7.77%
Annuity rate per Rupee	-	-	-	-	-	-	134.98313	134.98313
Salary escalation rate	5.00%	5.00%	6.50%	7.97%	5.00%	5.00%	5.00%	5.00%
Estimated rate of return on plan assets	7.34%	8.21%	-	-	-	-	7.49%	7.97%
Attrition Rate	2.00%	2.00%	Not Available	Not Available	-	-	1.00%	1.00%
Mortality Table	IALM 2006-08 Ultimate							

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

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

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

(C) Leave Encashment/ Sick Leave / Leave Travel Concession / Unavailed Casual Leave

The Bank

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

A sum of ₹ 25.55 Crore has been provided towards the above liabilities in accordance with AS 15 based on actuarial valuation. (Previous Year: ₹ 7.10 Crore)

Federal Bank Financial Services Limited

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

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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)

	March 31, 2020		March 31, 2019	
	FBL	FFSL	FBL	FFSL
Privilege leave	168.29	1.20	149.47	0.54
Sick leave	18.25	-	13.36	-
Leave Travel Concession	20.43	-	18.76	-
Casual Leave	1.54	-	1.37	-
Total actuarial liability	208.51	1.20	182.96	0.54
Assumptions				
Discount rate	6.85%	5.90%	7.78%	6.85%
Salary escalation rate	5.00%	6.50%	5.00%	7.95%
Attrition Rate	2.00%	Not Available	2.00%	Not Available

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

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

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

1.3 Segment Reporting (AS 17)
A. Business Segments

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

Treasury

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

The income of this segment primarily consists of earnings from the investment portfolio of the bank, gains and losses on trading operations. The principal expense of the segment consists of interest expense on funds borrowed/utilized and other allocated overheads.

Corporate/Wholesale Banking

This segment provides loans and other banking services to Corporate and other clients where value of individual exposure to the Clients exceeds ₹ 5 Crore as defined by RBI. Revenue of this segment consists of interest and fees earned on loans to such customers and charges and fees earned from other banking services. Expenses of this segment primarily consist of interest expense on funds utilized and allocated overheads.

Retail banking

Retail banking constitutes lending and other banking services to individuals/small business customers, other than corporate/wholesale banking customers, identified on the basis of RBI guidelines.

Revenue of this segment consists of interest earned on loans made to such customers and charges /fees carried from other banking services to them. The principal expenses of the segment consist of interest expenses on funds borrowed and other expenses.

Other Banking Operations

This segment includes parabanking activities like third party product distribution and other banking transactions, not covered under any of

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the above segments. The income from such services and associated costs are disclosed in this segment.

The operations of Subsidiary has been classified under 'Retail Banking'. The following table sets forth, for the periods indicated, the business segment results

March 31, 2020

(₹ in Crore)

Business Segments	Treasury	Corporate/ Whole sale Banking	Retail Banking	Other Banking Operations	Total
Revenue	3,111.59	5,595.76	6,472.11	292.74	15,472.20
Result (Net of provisions)	791.18	(315.17)	1,586.39	57.03	2,119.43
Unallocated expense					(59.46)
Operating profit (PBT)					2,059.97
Income taxes					(507.20)
Share of Profit of associate					37.71
Minority Interest					(10.28)
Extraordinary profit/loss					-
Net Profit					1,580.20
OTHER INFORMATION					
Segment Assets	41,613.84	62,060.52	70,212.72	9.11	173,896.19
Unallocated assets					9,457.14
Total assets					183,353.33
Segment liabilities	40,742.66	60,567.04	66,123.59	5.50	167,438.79
Unallocated liabilities					911.22
Total liabilities					168,350.01

March 31, 2019

(₹ in Crore)

Business Segments	Treasury	Corporate/ Whole sale Banking	Retail Banking	Other Banking Operations	Total
Revenue	2,547.61	5,073.76	5,084.03	265.26	12,970.66
Result (Net of provisions)	414.69	259.69	1,250.87	66.90	1,992.15
Unallocated expense					(32.05)
Operating profit (PBT)					1,960.10
Income taxes					(677.58)
Share of Profit of associate					35.56
Minority Interest					(1.80)
Extraordinary profit/loss					-
Net Profit					1,316.28
OTHER INFORMATION					
Segment Assets	35,782.32	58,169.60	57,863.86	11.38	151,827.16
Unallocated assets					8,725.31
Total assets					160,552.47
Segment liabilities	34,761.44	56,007.30	55,518.10	0.04	146,286.88
Unallocated liabilities					686.87
Total liabilities					146,973.75

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B. Geographical Segment Information

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

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

1.4. Related Party Disclosures (AS 18)
a) Details of Related Parties:

Name of the Party	Nature of Relationship
IDBI Federal Life Insurance Company Limited	Associate
Equirus Capital Private Limited	Associate
Mr. Shyam Srinivasan, Managing Director & CEO	Key Management Personnel
Mr. Ashutosh Khajuria, Executive Director & CFO	Key Management Personnel
Ms. Shalini Warriar, Executive Director (from January 15, 2020)	Key Management Personnel
Mr. Ganesh Sankaran, Executive Director (upto February 15, 2019)	Key Management Personnel
Fedbank Hormis Memorial Foundation	Entity in which KMPs can exercise significant influence

b) Significant transactions with related parties
For the year ended March 31, 2020

Items/Related Party	Associates	Key Management Personnel	Total
Deposits# (₹ in Crore)	20.80 (26.06)	3.08 (3.08)	23.88 (29.14)
Advances# (₹ in Crore)	- -	0.28 (0.53)	0.28 (0.53)
Investments# (₹ in Crore)	228.21 (228.21)	- -	228.21 (228.21)
Interest paid (₹ in Crore)	0.49	0.05	0.54
Interest received (₹ in Crore)	-	0.02	0.02
Income from Services Rendered to (₹ in Crore)	43.93	-	43.93
Receivable from (₹ in Crore)	9.13	-	9.13
Remuneration paid (₹ in Crore)	-	4.53	4.53
Dividend received paid (₹ in Crore)	30.57	-	30.57
Dividend Paid (₹ in Crore)	-	1.18	1.18
Share capital received on exercise of ESOS (₹ in Crore)	-	0.47	0.47
No. of Options granted under ESOS (in numbers)	-	800,000	800,000
No. of Options outstanding under ESOS (in numbers)	-	4,120,680	4,120,680

- Represents outstanding as on March 31, 2020

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

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

THE FEDERAL BANK LIMITED

SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (CONTD...)

For the year ended March 31, 2019

Items/Related Party	Associates	Key Management Personnel	Total
Deposits# (₹ in Crore)	22.34 (29.35)	0.29 (0.50)	22.63 (29.85)
Advances# (₹ in Crore)	-	0.54 (2.12)	0.54 (2.12)
Investments# (₹ in Crore)	227.54 (227.54)	-	227.54 (227.54)
Interest paid (₹ in Crore)	0.45	0.01	0.46
Interest received (₹ in Crore)	-	0.05	0.05
Income from Services Rendered to (₹ in Crore)	39.78	-	39.78
Receivable from (₹ in Crore)	8.08	-	8.08
Remuneration paid (₹ in Crore)	-	3.12	3.12
Dividend Paid (₹ in Crore)	-	0.86	0.86
Share capital received on exercise of ESOS (₹ in Crore)	-	17.56	17.56
No. of Options granted under ESOS (in numbers)	-	900,000	900,000
No. of Options outstanding under ESOS (in numbers)	-	3,189,430	3,189,430

- Represents outstanding as on March 31, 2019

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

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

1.5. Operating Lease (AS 19):

The Bank

Lease payments for assets taken on operating lease are recognised as an expense in the Profit and Loss Account as per the lease terms. During the year an amount of ₹ 164.88 Crore (Previous year: ₹ 154.67 Crore) was charged to Profit and loss account.

Fedbank Financial Services Limited

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

(₹ in Crore)

Particulars	March 31, 2020	March 31, 2019
Future minimum lease payments:		
- Up to one year	4.89	4.06
- More than one year and upto five years	13.01	14.79
- More than five years	-	-
Lease payments recognised in the Statement of Profit and Loss with respect to above mentioned operating lease arrangement	3.60	1.26

In addition, all other operating lease agreements entered into by the Company are cancellable in nature. Accordingly, the lease rental payments for assets taken on an operating lease ₹ 11.99 Crore (Previous Year ₹ 5.12 Crore) have been recognised as "Rent Paid" in the Statement of Profit and Loss.

THE FEDERAL BANK LIMITED
SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (CONTD...)
1.6 Earnings per Share ('EPS') (AS 20)

Particulars	March 31, 2020	March 31, 2019
Weighted average number of equity shares used in computation of basic earnings per share (in 000's)	1,989,049	1,980,208
Weighted average number of equity shares used in computation of diluted earnings per share (in 000's)	2,004,059	1,992,628
Nominal Value of share (in ₹)	2.00	2.00
Basic earnings per share (in ₹)	7.94	6.65
Diluted earnings per share (in ₹)	7.88	6.60
Earnings used in the computation of basic and diluted earnings per share (₹ in '000)	15,801,960	13,162,891

1.7 Deferred Tax Assets / Liability (AS 22)

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

(₹ in Crore)

Particulars	March 31, 2020	March 31, 2019
Deferred Tax Liability		
Tax effect of items constituting deferred tax liability:		
(i) Interest accrued but not due	148.83	186.66
(ii) Depreciation on Investments	11.35	48.72
(iii) Depreciation on Fixed assets	-	5.73
(iv) Special Reserve under Section 36 (1) (viii) of the Income Tax Act, 1961	137.64	157.59
(v) Others	7.44	14.30
Total - (A)	305.26	413.00
Deferred Tax Asset		
Tax effect of items constituting deferred tax assets:		
(i) Interest/premium paid on purchase of securities	2.74	22.14
(ii) Provision for Standard Assets	157.58	184.17
(iii) Depreciation on Fixed Assets	11.66	2.00
(iv) Others	126.65	108.74
Total - (B)	298.63	317.05
Net Deferred tax liability/ (Asset) (A-B)	6.63	95.95

1.8 'Provisions and Contingencies' recognised in the Consolidated Profit and Loss Account include:

(₹ in Crore)

		March 31, 2020	March 31, 2019
i)	Provision towards NPAs	1,012.48	631.53
ii)	Provision for depreciation Investments (Net)	63.50	99.10
iii)	Provision for Non Performing Investments	5.37	20.28
iv)	Provision for Standard Assets	111.82	102.49
v)	Provision for Taxation	507.20	677.62
vi)	Provision towards present value of sacrifice on restructuring, other contingencies etc.	(5.95)	4.21
	Total	1,694.42	1,535.23

THE FEDERAL BANK LIMITED

SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (CONTD...)

1.9 Amount of Provisions made for income-tax during the year

(₹in Crore)

Particulars	March 31,2020	March 31, 2019
Provision for Income Tax		
a) Current Tax	580.58	702.64
b) Deferred Tax	(73.38)	(25.06)
Total	507.20	677.58

1.10 Draw Down from Reserves

The Bank has not drawn down from any reserves during the year ended March 31, 2020 and March 31, 2019.

1.11 Details of Penalty imposed by RBI

(₹in Lakhs)

	Year ended March 31, 2020	Year ended March 31, 2019
a) Penalty imposed on currency chests	0.50	0.28
Dates of Payment	Various dates	Various dates
b) Penalty imposed on deficiency in regulatory compliances	50.00*	500.00#
Date of Payment	August 14, 2019	October 15, 2018

* Penalty was imposed by RBI vide letter EFD. CO. SO. 124 / 02.02.003 / 2019-20 dated August 05, 2019.

Penalty was imposed by RBI vide letter EFD. CO. SO. 287 / 02.02.003 / 2018-19 dated September 25, 2018.

1.12 Fixed Assets

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

(₹in Crore)

Particulars	March 31,2020	March 31, 2019
Gross Block		
At the beginning of the year	253.78	209.82
Additions during the year	28.95	43.96
Deductions / Adjustments during the year	24.99	-
At the end of the year	257.74	253.78
Depreciation / Amortisation		
At the beginning of the year	194.64	157.29
Charge for the year	36.70	37.35
Deductions during the year	24.86	-
Depreciation to date	206.48	194.64
Net Block	51.26	59.14

B) Revaluation of Fixed Assets

During the year 1995-96, the appreciation of ₹ 9.65 Crore in the value of land and buildings consequent upon revaluation by approved valuers was credited to Revaluation Reserve. There has been no revaluation of assets during the year ended March 31, 2020 and March 31, 2019.

THE FEDERAL BANK LIMITED
SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (CONTD...)
1.13 Provisions and Contingencies
a) Movement in provision for non-credit related* frauds included under other liabilities:

(₹in Crore)

	March 31, 2020	March 31, 2019
Balance at the beginning of the year	4.46	4.71
Additions during the year	1.37	0.31
Reductions on account of payments during the year	0.07	0.56
Balance at the end of the year	5.76	4.46

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

b) Movement in provision for debit card reward points:

(₹in Crore)

	March 31, 2020	March 31, 2019
Balance at the beginning of the year	5.19	4.60
Provision made during the year	36.49	15.61
Reductions during the year	26.10	15.02
Balance at the end of the year *	15.58	5.19

* The closing provision is based on the actuarial valuation of accumulated debit card reward points. This amount will be utilized towards redemption of the debit card reward points.

c) Movement in provision for other contingencies:

(₹in Crore)

	March 31, 2020	March 31, 2019
Opening provision at the beginning of the year	55.49	66.44
Provision made during the year	3.57	4.58
Provision utilized for Write off during the year	1.04	1.14
Reductions during the year	26.74	14.39
Closing provision at the end of the year	31.28	55.49

Provision maintained towards Funded Interest Term Loans is also included in the movement in provision for other contingencies during the year ended March 31, 2020 for better presentation. Previous year figure have been revised to conform to current year's presentation.

d) Movement in floating provision:

(₹in Crore)

Particulars	Standard Assets Provisions		NPA Provision	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Opening balance	12.75	12.75	69.18	69.18
Provision made during the year	-	-	-	-
Draw down from provision	-	-	-	-
Closing balance	12.75	12.75	69.18	69.18

e) COVID-19 Regulatory Package - Asset Classification and Provisioning
The Bank

The SARS-CoV-2 virus responsible for COVID-19 continues to spread across the globe and India, which has contributed to a significant volatility in global and Indian Financial markets and a significant decrease in the global and local economic activities. COVID-19 outbreak was declared as a global pandemic on March 11, 2020 by World Health Organisation. The Government of India had announced a series of lock-down measures on March 24, 2020 which has been extended from time to time. The extent to which the COVID-19 pandemic will impact the Bank's performance will depend on future developments, which are highly uncertain, including among other things, any information

THE FEDERAL BANK LIMITED

SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (CONTD...)

concerning the severity of the COVID-19 pandemic and action to contain its spread or mitigate its impact whether government mandated or elected by the Bank. The Bank's capital and liquidity position is strong and would continue to be the focus area for the Bank.

In accordance with the 'COVID-19 Regulatory Packages' announced by the RBI on March 27, 2020 and April 17, 2020 ('the RBI guidelines'), with regard to providing relief to borrowers' on account of COVID-19 pandemic whose accounts were standard as on February 29, 2020, the Bank, in accordance with the Board approved policy had offered moratorium on repayment of loan instalments and/or deferment of interest due between March 1, 2020 and May 31, 2020 including relaxation in certain parameters, to all eligible borrowers, without considering the same as restructuring. Further on May 22, 2020, RBI has permitted the Banks to extend such benefits to eligible borrowers for another three months, from June 1, 2020 to August 31, 2020. In accordance with the RBI guidelines, the Bank is required to make provision @ 10% of outstanding advances over two quarters beginning with quarter ending March 31, 2020 in respect of such borrowers whose accounts, though classified as standard as on March 31, 2020, would have become non-performing but for these benefits/relaxations extended as per RBI guidelines. The Bank, as a prudent measure, has made the entire 10% provision amounting to ₹30.27 Crore during the quarter ended March 31, 2020 itself.

Further, in addition to the above, as a prudent measure, the Bank has made additional provision of ₹ 63.03 Crore as at March 31, 2020 against the likely impact of COVID-19 pandemic in respect of exposure of the Bank to certain specified sectors based on assessment of presently available information. The entire provision of ₹ 93.30 Crore in respect of COVID-19 impact is grouped in the Balance sheet under Schedule 5 - Other liabilities and provisions.

Fedbank Financial Services Limited

COVID-19 virus, a global pandemic has affected the world economy including India leading to significant decline and volatility in financial markets and decline in economic activities. The extent to which the COVID-19 pandemic will impact the Company's provision on assets will depend on the future developments, which are highly uncertain, including among the other things any new information concerning the severity of the COVID-19 pandemic and any action to contain its spread or mitigate its impact whether government mandated or elected by the Company. The RBI on March 27, 2020 and April 17, 2020, announced 'COVID-19 Regulatory Package' on asset classification and provisioning. In terms of the RBI guidelines, the lending institutions have been permitted to grant a moratorium of three months on payment of all instalments/interest, as applicable, falling due between March 1, 2020 and May 31, 2020 ('moratorium period'). As such, in respect of all accounts classified as standard as on February 29, 2020, even if overdue, the moratorium period, wherever granted, shall be excluded by the lending institutions from the number of days past-due for the purpose of asset classification under RBI's Income Recognition and Asset Classification norms. The provisions held by the Company is higher than the provisions as prescribed by the RBI norms.

Federal Operations and services Limited

Following the global outbreak of COVID-19 pandemic, the Government of India ordered a complete nationwide lockdown on March 24, 2020 which has been extended for further periods with certain specified relaxations. However, the company had been able to continue its operations under the directives of authorities without significant disruptions. Based on an assessment carried out by the management, having regard to the overall national and global economic environment, taking into account internal and external information available upto the date of approval of these financial statements, no material adjustments are required in the financial statements. The impact of the pandemic may be different from that estimated as at the date of approval of these financial statements and the management will continue to closely monitor any material changes to future economic conditions.

1.14 Description of contingent liabilities:

a) Claims against the Group not acknowledged as debts

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

b) Liability on account of forward exchange and derivative contracts

The Bank presently enters into foreign exchange contracts and interest rate swaps with interbank Counterparties and Customers. Forward exchange contracts are commitments to buy or sell foreign currency at a future date at the contracted rate. Interest rate swaps are commit-

THE FEDERAL BANK LIMITED

SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2020 (CONTD...)

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

c) Guarantees given on behalf of constituents

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

d) Acceptances, endorsements and other obligations

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

e) Other items for which bank is contingently liable

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

(Refer Schedule 12 for amounts relating to Contingent Liabilities)

1.15 Provision for Long Term contracts

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

1.16 Small and Micro Industries

The Bank

Under the Micro, Small and Medium Enterprises Development Act, 2006 which came into force from October 2, 2006, certain disclosures are required to be made relating to Micro, Small and Medium enterprises. There have been no reported cases of delays in payments to micro and small enterprises or of interest payments due to delays in such payments. The above is based on the information available with the Bank which has been relied upon by the auditors.

Fedbank Financial Services Limited

Under the Micro, Small and Medium Enterprises Development Act, 2006 which came into force from October 2, 2006, certain disclosures are required to be made relating to Micro, Small and Medium enterprises. Out of the trade payable of ₹ 8.70 crore (Previous year ₹ 6.69 crore), ₹ 0.10 crore (Previous year ₹ 0.09 crore) is due to Micro, Small and Medium Enterprises. The subsidiary has taken steps to identify the suppliers who qualify under definition of micro, and small enterprises as defined under the Micro, Small and Medium Enterprises Development Act, 2006.

1.17 Additional information on net assets and share of profits of the Bank, its subsidiaries, associates and joint ventures as considered in the Consolidated Financial Statements.

March 31, 2020

Name of the entity	Net Assets i.e. total assets minus total liabilities		Share of profit or loss	
	As % of Consolidated Net Assets	Amount (₹ in Crore)	As % of Consolidated Profit or Loss	Amount (₹ in Crore)
Parent: The Federal Bank Limited	97.94%	14,517.60	97.63%	1,542.78
Subsidiary: Fedbank Financial Services Limited	1.78%	263.16	1.85%	29.26
Federal Operations and Services Limited	0.01%	0.98	0.08%	1.27
Associate: IDBI Federal Life Insurance Company Limited	0.25%	37.31	0.51%	7.97
Equirus Capital Private Limited	0.02%	3.30	(0.07%)	(1.08)
Total	100.00%	14,822.35	100.00%	1580.20

March 31, 2019

Name of the entity	Net Assets i.e. total assets minus total liabilities		Share of profit or loss	
	As % of Consolidated Net Assets	Amount (₹ in Crore)	As % of Consolidated Profit or Loss	Amount (₹ in Crore)
Parent: The Federal Bank Limited	98.20%	13,273.04	94.50%	1,243.88
Subsidiary: Fedbank Financial Services Limited	1.56%	191.78	2.53%	33.28
Federal Operations and Services Limited	-	(0.29)	(0.02%)	(0.29)
Associate: IDBI Federal Life Insurance Company Limited	0.22%	29.34	2.66%	35.02
Equirus Capital Private Limited	0.02%	4.38	0.33%	4.38
Total	100.00%	13,498.25	100.00%	1,316.27

1.18. Additional disclosure

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

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

Krishnakumar K
Senior Vice President

Samir P Rajdev
Company Secretary

For and on behalf of the Board of Directors

Ashutosh Khajuria
Executive Director & CFO
(DIN:05154975)

Shalini Warriar
Executive Director
(DIN:08257526)

Grace Elizabeth Koshie
Chairperson
(DIN:06765216)

Shyam Srinivasan
Managing Director & CEO
(DIN:02274773)

As per our report of even date

For B S R & Co. LLP
Chartered Accountants
Firm's Reg.No: 101248W/W-100022

For M. M. Nissim & Co
Chartered Accountants
Firm's Registration No: 107122W

Directors:

Shubhalakshmi Panse (DIN : 02599310)
C Balagopal (DIN : 00430938)
A P Hota (DIN : 02593219)
K Balakrishnan (DIN : 00034031)
Siddhartha Sengupta (DIN : 08467648)
Manoj Fadnis (DIN : 01087055)
Sudarshan Sen (DIN : 03570051)

Akeel Master
Partner
Membership No.046768
Place: Mumbai

Varun P Kothari
Partner
Membership No. 115089
Place: Mumbai

Place: Kochi
Date : May 28, 2020

FORM AOC-I

(PURSUANT TO FIRST PROVISION TO SUB-SECTION (3) OF SECTION 129 READ WITH RULE 5 OF COMPANIES (ACCOUNTS) RULES, 2014)

STATEMENT CONTAINING SALIENT FEATURES OF THE FINANCIAL STATEMENT OF SUBSIDIARIES / ASSOCIATE COMPANIES / JOINT VENTURES
PART "A": SUBSIDIARIES

(₹ in Thousands)

1. Sl. No.	1	2
2. Name of the subsidiary:	Fedbank Financial Services Limited	Federal Operations and Services Limited
3. The date since when subsidiary was acquired	17/04/1995	26/10/2018
4. Reporting period for the subsidiary concerned, if different from the holding company's reporting period.	NA	NA
5. Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries.	NA	NA
6. Share Capital	2,743,694	100,000
7. Reserves & surplus	4,189,547	9,800
8. Total assets	40,281,377	136,930
9. Total Liabilities	33,348,136	27,130
10. Investments	413,045	-
11. Turnover	4,710,975	189,527
12. Profit before taxation	565,469	17,062
13. Provision for taxation	170,084	4,403
14. Profit after taxation	395,385	12,659
15. Proposed Dividend	NIL	NIL
16. Extent of shareholding (in %)	74.00	100.00

Notes:

- Names of subsidiaries which are yet to commence operations - NIL
- Names of subsidiaries which have been liquidated or sold during the year. – NIL
- The reported figure of the subsidiaries are as per the audited financial statements prepared for the consolidation as per AS 21, Consolidated Financial Statements.

PART "B": ASSOCIATES AND JOINT VENTURES

STATEMENT PURSUANT TO SECTION 129 (3) OF THE COMPANIES ACT, 2013 RELATED TO ASSOCIATE COMPANIES AND JOINT VENTURES

Name of Associates/Joint Ventures	IDBI Federal Life Insurance Company Limited	Equirus Capital Private Limited
1.Latest audited Balance Sheet	31/03/2020	31/03/2020
2.Date on which the Associate or Joint Venture was associated or acquired	23/11/2006	12/07/2018
3.Shares of Associate/Joint Ventures held by the company on the year end		
Number of shares held	208,000,000	3,600,000
Amount of Investment in Associates/Joint Venture (₹ '000)	2,080,000	68,490
Extent of Holding (in %)	26%	8.74%
4.Description of how there is significant influence	Investment more than 20%	Right of proportionate representation in the Board as well as power to participate in the financial/operational matters like approval of business plans, policies, budgets, managerial remuneration, change in KMP etc
5.Reason why the associate/joint venture is not consolidated	NA	NA
6.Networth attributable to Shareholding as per latest audited Balance Sheet (₹ '000)	2,453,063	31,062
7.Profit / Loss for the year 2019-20 (₹ '000)		
i. Considered in Consolidation	384,364	(7,277)
ii. Not Considered in Consolidation	1,093,959	(76,004)

- Names of associates or joint ventures which are yet to commence operations - NIL
- Names of associates or joint ventures which have been liquidated or sold during the year - NIL.

For and on behalf of the Board of Directors

Krishnakumar K
Senior Vice President

Samir P Rajdev
Company Secretary

Ashutosh Khajuria
Executive Director & CFO
(DIN:05154975)

Shalini Warriar
Executive Director
(DIN: 08257526)

Grace Elizabeth Koshie
Chairperson
(DIN: 06765216)

Shyam Srinivasan
Managing Director & CEO
(DIN:02274773)

Directors:

Shubhalakshmi Panse (DIN : 02599310)
C Balagopal (DIN : 00430938)
A P Hota (DIN : 02593219)
K Balakrishnan (DIN : 00034031)
Siddhartha Sengupta (DIN : 08467648)
Manoj Fadnis (DIN : 01087055)
Sudarshan Sen (DIN : 03570051)

Place: Kochi
Date : May 28, 2020



Glimpses from the grand finale of Speak for India – West Bengal edition 2019



Glimpses from the grand finale of Speak for India – Tamil Nadu edition 2019



Glimpses from the grand finale of Speak for India – Maharashtra edition 2019



Glimpses from the grand finale of Speak for India – Karnataka edition 2019



Glimpses from the inaugural ceremony of Speak for India – Gujarat edition 2019



Glimpses from the inaugural ceremony of Speak for India – New Delhi edition 2019



Glimpses from the grand finale of Speak for India – Kerala edition 2019

FEDERAL BANK

YOUR PERFECT BANKING PARTNER

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The Federal Bank Limited, Regd. Office. Aluva.

CIN: L65191KLI931PLC000368