

POLICY FOR DETERMINATION OF MATERIAL SUBSIDIARY

1. Preamble

Regulation 16(1)(c) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 requires every company which has listed its specified securities/Non-convertible securities to formulate a policy to determine its "Material Subsidiaries".

This Policy sets out the criteria for determination of material subsidiaries of the Bank and provides the framework for such determination in line with the requirements of the Regulation 16 and Regulation 24 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

2. Determination of Material Subsidiary

A subsidiary shall be considered a material subsidiary if any of the following conditions are satisfied:

- net-worth of the subsidiary exceeds 10% of the Bank's consolidated net-worth in the immediately preceding accounting year; or
- income of the subsidiary exceeds 10% of the Bank's consolidated income in the immediately preceding accounting year.

3. Special Provisions applicable to a Material Subsidiary

i. The Bank shall obtain a prior approval of its shareholders by way of special resolution to:

- Dispose-off the shares held in its material subsidiary which would reduce its shareholding (either on its own or together with other subsidiaries) to less than or equal to 50% or cease to exercise the control over the subsidiary
- sell, dispose and lease the assets amounting to more than 20% of the assets of the material subsidiary on an aggregate basis during a financial year.

However, the above will not apply if the divestment, sale, disposal or lease is made under a scheme of arrangement duly approved by a Court/Tribunal or under a resolution plan duly approved under section 31 of the Insolvency Code and such an event is disclosed to the recognized stock exchanges within one day of the resolution plan being approved.

ii. At least one independent Director of the Bank shall be a Director on the Board of directors of an unlisted material subsidiary, whether incorporated in India or not.

- For the purpose of this clause, the material subsidiary shall mean a subsidiary, whose income or net worth exceeds 20% of the Bank's consolidated income or net-worth respectively in the immediately preceding accounting year.

iii. The Bank and its material unlisted subsidiaries incorporated in India shall undertake Secretarial Audit and shall annex with its Annual Report, a Secretarial Audit Report, given by a Company Secretary in Practice, in such form as may be specified.

4. Review of Policy

The above policy will be modified from time to time to be in line with the regulatory requirements, including the Companies Act, 2013 ("Act") and Guidelines/Regulations issued by the Securities Exchange Board of India, from time to time. Further this policy shall be reviewed on a yearly basis.

In the event of any conflict between the provisions of this Policy and of the Act or the Listing Regulations or any other statutory enactments, rules, the provisions of such Act or Listing Regulations or statutory enactments, rules shall prevail over this Policy. Any subsequent amendment / modification in the Listing Regulations, Act and/or applicable laws in this regard shall automatically apply to this Policy.

5. Listed subsidiary

If the Bank at any time has a listed subsidiary which is itself a holding company, the provisions of Regulation 24 relating to subsidiary companies shall apply to the listed subsidiary in so far as its subsidiaries are concerned.

6. Dissemination of Policy

The Policy for determining material subsidiary shall be disclosed on the Bank's website (www.federalbank.co.in) and a web link thereto shall be provided in the Annual Report.