

THE FUTURE OF DIGITAL IS
HUMAN

What's Inside...

Corporate Overview

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To view this report online, please visit:
www.federalbank.co.in

Forward-Looking Statement

This document contains certain forward-looking statements based on current expectations of Federal Bank 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 Federal Bank as well as its ability to implement the strategy. Federal Bank does not undertake to update these statements. This document does not constitute an offer or recommendation to buy or sell any securities of Federal Bank or any of its subsidiaries and associate companies. Figures for the previous year have been regrouped wherever necessary to conform to current year's presentation.

Technology is continuously redefining the human experience. COVID-19 has forced organisations around the world to embrace digitisation more proactively than before. As physical interactions gave way to digital connect, we, at Federal Bank, seized the moment to leverage our technology-based customer interactions to make them more human during FY 2020-21.

Led by the belief that the future of business is Artificial Intelligence, we gave a Human face to our AI-based interactive chatbot 'FEDDY', to enhance customer engagement amid the pandemic. At the same time, we strengthened our back-end systems by making our people more digitally empowered to give human touch to our digital compass.

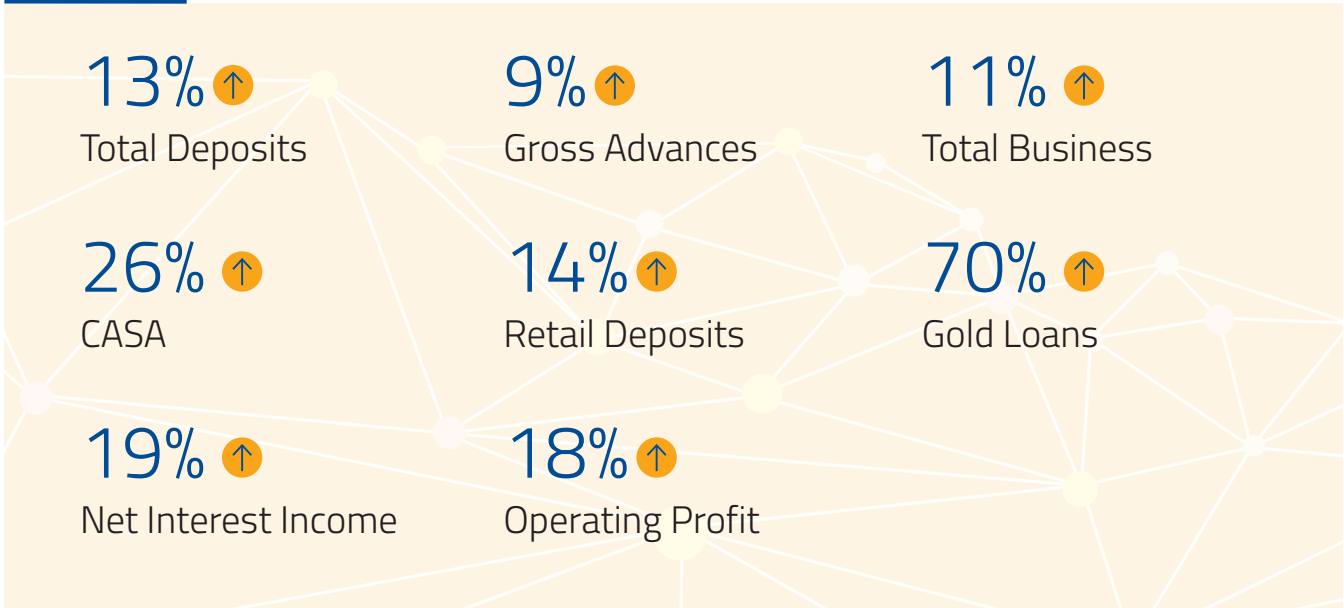
This Annual Report encapsulates Federal Bank's journey into a future of endless digital possibilities realised by our human force.

FEDDY has emerged as a virtual brand ambassador for the Bank. At the 2021 Google Business Messages "Build-an-Agent" Contest, it won us the second place for 'creating and launching an agent with a real-world brand'.

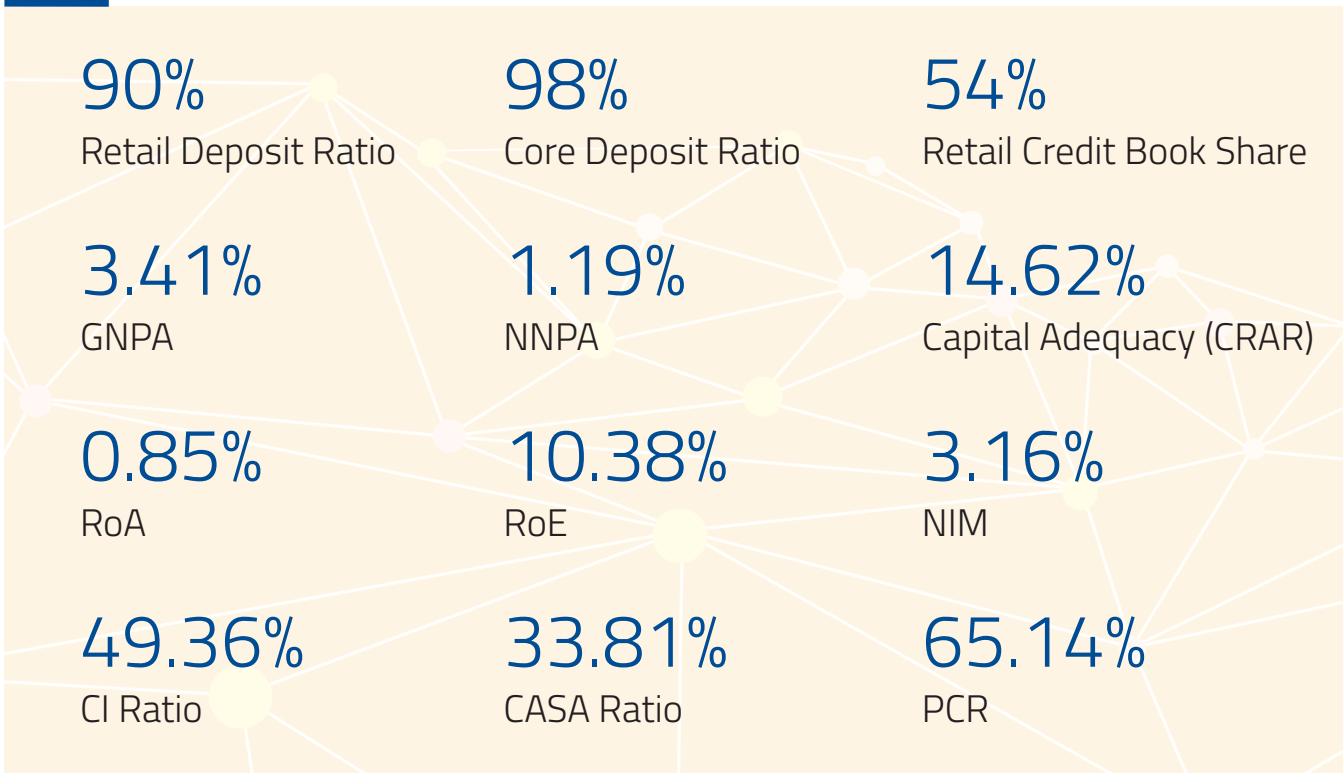


The Year that was

Growth Rate



Ratios





Our Rewarding Journey of FY 2020-21

- ◉ MD & CEO, Shyam Srinivasan conferred with Business Standard Banker of the year award
- ◉ Adjudged 'Best Bank and Fastest Growing Mid-Sized Bank' in 25th Business Today-KPMG Annual Survey
- ◉ Great Place to Work certification by GTPW
- ◉ Won IBA's 16th Annual Technology Awards:
 - Most Innovative Project and Runner Up for Best IT Risk & Cyber Security Initiatives
 - Best Technology Bank of the Year
- ◉ Declared winner in 'Private Sector Bank of the Year' Gold category at 20th edition of Outlook Money Awards
- ◉ Won the prestigious Finnoviti Award instituted by Banking Frontiers for its AI-based Digital Leading Platform
- ◉ Awarded SKOCH Award (Silver) in the BFSI Sector for the mobile banking application FedMobile
- ◉ Recognised as a runner up at the Infosys Finacle Client Innovation Awards programme in 'Product Innovation' category
- ◉ Adjudged by the State Forum of Bankers Clubs, Kerala as the 'Best Bank among Old Private Sector Banks of the country'
- ◉ Recognised as runner up at the Infosys Finacle Client Innovation Awards programme, in the category "Customer Journey Reimagination"
- ◉ Partnered with fintech epiFi to offer neo banking services to salaried millennials
- ◉ Entered the league of top 5 private banks in Debit Card spends, which crossed a monthly volume of ₹ 1,000 Crore, in Q3



Accessing Feddy via WhatsApp is as easy as connecting with a friend. Just SMS – FEDDY - to 8108030845 from your registered mobile number. The access link will direct you to a chat window - 'Federal Bank Ltd'. Type your query to Feddy. Resident account holders can also give a missed call on 8095500077 to receive a link to access Feddy via WhatsApp.

This is Federal Bank

Federal Bank is the preferred Personal, NRI and Business banking partner for a growing expanse of customers across India, in both urban and rural areas. The Bank is driven by the quest to be one of the most admired banking institutions in the country.

A Digital bank with a Human face

'Hi. I am Feddy. Your personal assistant' – with these words, our AI-powered virtual assistant, donning the Federal Bank colours, welcomes visitors to our corporate website. As soon as Feddy's image appears at the bottom right-hand corner of the website, a chat window pops up, and users can simply enter their names and start typing their queries.



This is just one manifestation of the Bank's powerful 'Digital at the Fore. Human at the Core' proposition. Federal Bank is continuously scaling up this mantra to reach out, meaningfully and impactfully, to more and more customers.

Recognised as a Great Place to Work, the Bank is continuously striving to become the FIRST CHOICE for all Indians. Propelling this journey is our unwavering focus on the service of People, within and outside the organisation.





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.

Federal Bank is listed on BSE Limited, National Stock Exchange of India Limited and London Stock Exchange.

Our Timeline of Service

Federal Bank has been in the service of the nation since pre-Independence times.

Incorporated on April 23, 1931, as the Travancore Federal Bank Limited, Nedumpuram under the Travancore Companies Regulation, 1916, the Bank was renamed as The Federal Bank Limited in December 1949, under the stewardship of Late K.P. Hormis, who took over its reins in 1945. With his vision and foresight, Shri Hormis brought into the institution a new level of dynamism, to transform it into a pan-India organisation.

Licensed under the Banking Regulation Act, 1949, on July 11, 1959, the Bank went on to become a scheduled commercial bank on July 20, 1970.




Want to know more? Go to Google Assistant, and say 'Talk to Federal Bank'. And lo and behold, Feddy will promptly be there to answer your queries.

This is Federal Bank


Growing Reach & Presence

 **11,000,000+**
Customers

 **1,272**
Branches

 **Cities**
Metro: **206**
Rural: **156**
Semi Urban: **684**
Urban: **226**
Total: 1,272

 **1,957**
ATM/Recyclers
(including 10 mobile ATMs)

 **24**
States, Delhi NCT &
4 Union Territories

Representative Offices


Abu Dhabi & Dubai

IFSC Banking Unit (IBU)

Gujarat International Finance Tec-City (GIFT City)

The Federal Bank Family

 **12,592**
Total Employees

 **40%**
Women
(No. of women - 5,049)

(As on March 31, 2021)

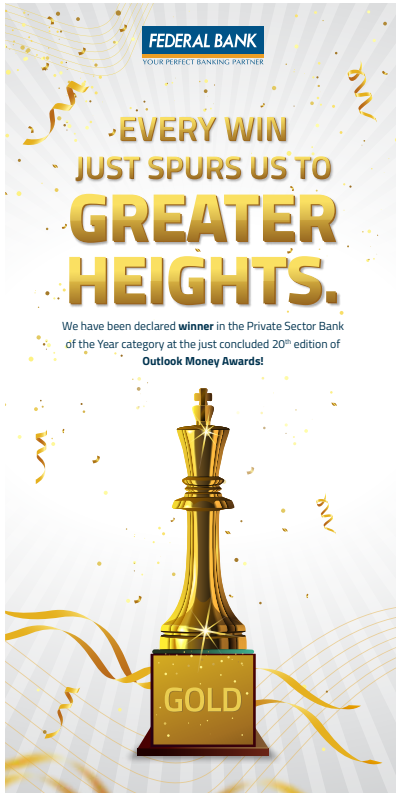
Credit Ratings as on March 31, 2021:

- **CRISIL A1+** (Reaffirmed) for the Certificate of Deposit Programme of the Bank
- **CRISIL A1+** (Reaffirmed) for the Short Term Fixed Deposits of the Bank
- **CARE AA** (Stable) (Reaffirmed) [Double A, Outlook: Stable] for the Tier II bonds (Under Basel III)
- **IND AA/Stable** (Affirmed) by India Rating and Research for the Tier II bonds (Under Basel III)



If you have any questions about any Federal Bank product, simply ask our Feddy!





Performance Highlights FY 2020-21

₹ 1,590
Crore
Net Profit

₹ 3,787
Crore
Operating Profit

₹ 304,523
Crore
Total Business

₹ 172,644
Crore
Total Deposits

₹ 131,879
Crore
Net Advances

₹ 16,124
Crore
Net Worth

₹ 58,370
Crore
CASA Deposits

₹ 15,137
Crore
Market Capitalisation

Y-o-Y Growth Across Segments



19%
Retail
Banking



13%
Business
Banking



23%
Agri
Business

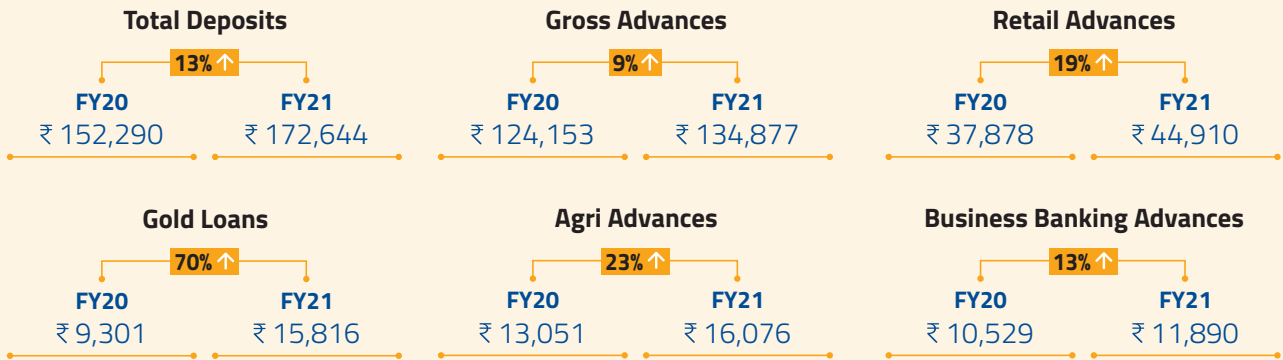


11%
Commercial
Banking

(As on March 31, 2021)

Performance Dashboard

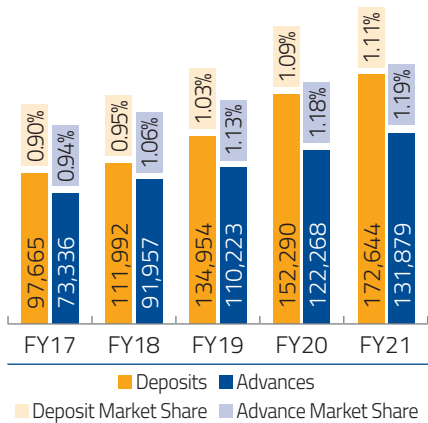
Volume Growth (₹ in Cr)



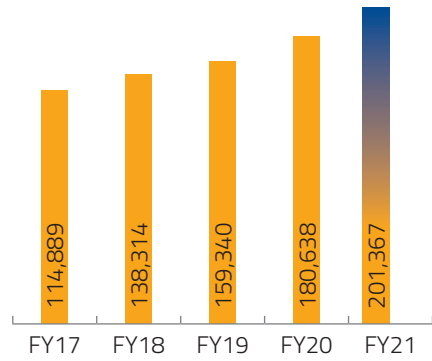
Income Growth (₹ in Cr)



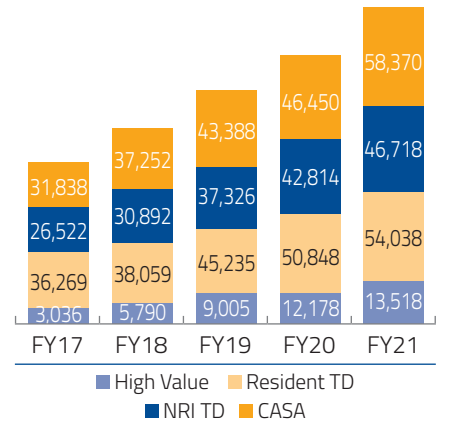
Business Growth (₹ in Cr)



Total Assets (₹ in Cr)



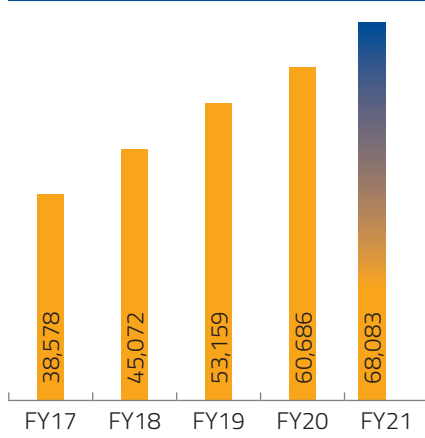
Deposit Mix (₹ in Cr)



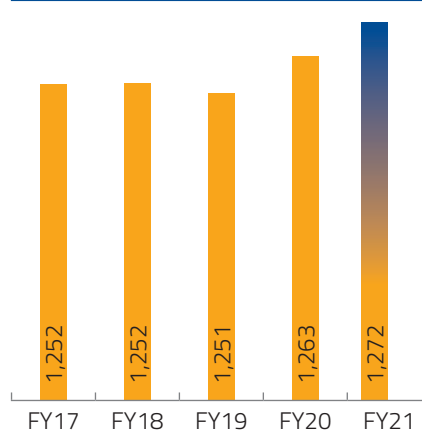


NR Deposits

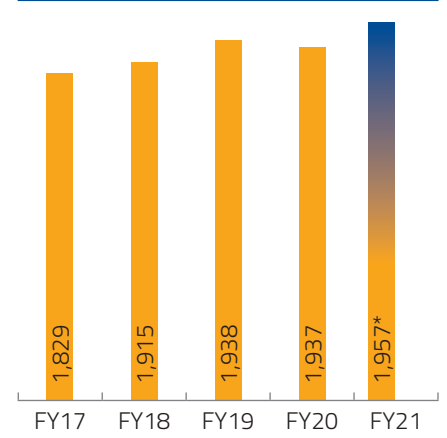
(₹ in Cr)



Branches



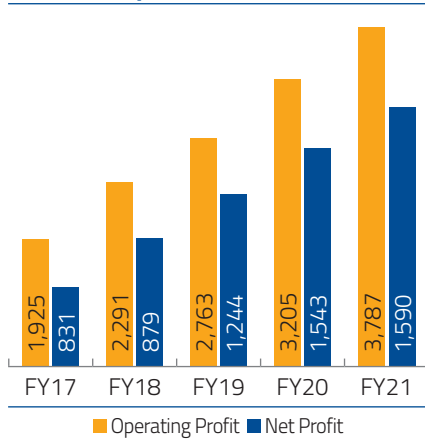
ATMs/Cash Recyclers



*Including 10 Mobile ATMs

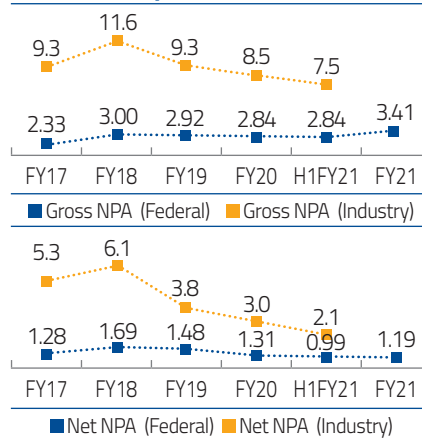
Profitability Trend

(₹ in Cr)



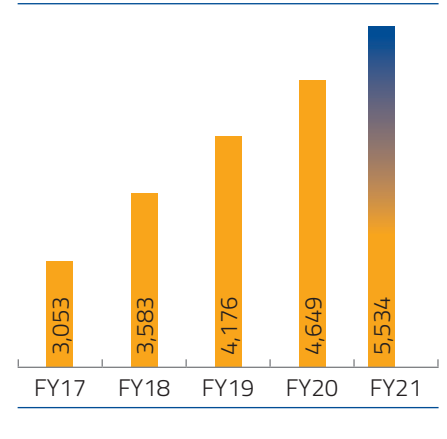
Asset Quality

(In %)

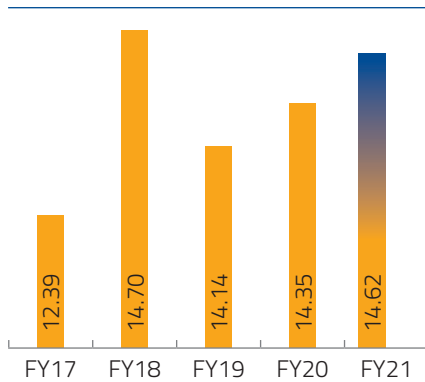


Net Interest Income

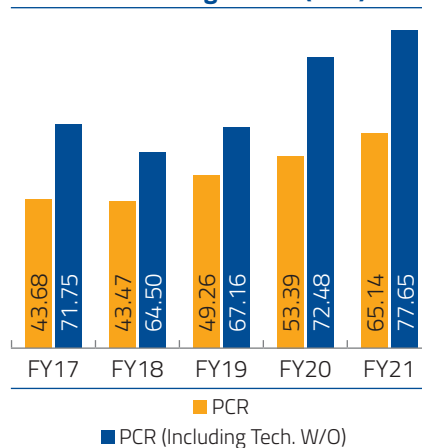
(₹ in Cr)



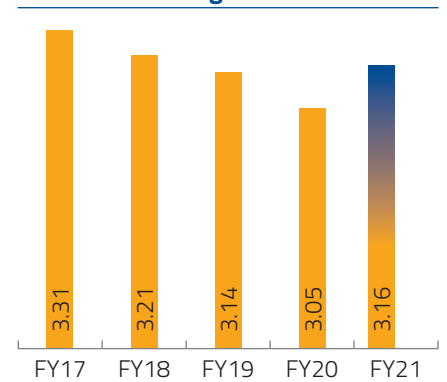
CRAR - BASEL III



Provision Coverage Ratio (PCR)



Net Interest Margin



Message from the Chairperson

“Led by its twin focus on Digital enablement and People empowerment, supported by operational strength, the Bank navigated unprecedented challenges during the year to deliver exceptional numbers”



Dear Shareholders,

Greetings!

Since we met a year ago we have remained in the throes of successive waves of the pandemic that has gripped the country and the planet. We gratefully acknowledge your presence with us today despite the trying times. As Mahatma Gandhi wisely observed “Strength does not come from physical capacity. It comes from an indomitable will”. And so we rise up chastened yet strengthened with a new resolve to face the challenges of an evolving new world.

Variety of stimulus measures across the globe is helping countries put their economies back on the growth track, and yet globally, the recovery remains uneven.

In India, the higher-than-expected GDP growth of 1.6% in the last quarter of FY21 did moderate the challenge created by the pandemic to some extent. However, the 7.3% contraction in GDP in FY21, as per the provisional estimates of the National Statistical Office (NSO), remains a matter of concern. While projecting a rebound for the Indian economy to 9.3% growth in FY22, Moody’s Investor Services has said that risks to India’s financial sector have been exacerbated by the second wave of the pandemic.

Banking sector especially has had a harder job at hand because bankers have the dual





responsibility of shaping the economic recovery as well as helping their customers rebuild financial health while ensuring that they and their families stay safe. Reserve Bank of India (RBI) came to the immediate rescue, monitored the emerging situation and deployed all resources and instruments at its command for individuals, business entities and institutions softening the impact of the pandemic quite materially. Continued stimulus support by the RBI and the Government, which has made several policy interventions in FY21, could give a fillip to growth for the banking sector.

It is in the backdrop of this challenging macro environment that I am happy to share your Bank's excellent performance on both, financial and non-financial metrics, for the year under review. Going by the financial yardstick, Q4 of FY21 proved to be one of the best quarters in terms of performance for your Bank, which recorded its highest ever quarterly net profit, coupled with nearly 59% year-on-year growth. And as a banking organisation, we are relentlessly pursuing continuing improvements in quality in every dimension which would support a strong recovery and serve our stakeholders better.

Led by the twin focus on digital enablement and people empowerment, and supported by operational strength, the Bank navigated unprecedented challenges during the year to deliver exceptional numbers. Total Business crossed the landmark figure of ₹ 3 Lakh Crore, registering over 10% growth, with Net Interest Income growing 19% y-o-y to touch ₹ 5,534 Crore. Annual Operating profit showed a growth of 18% over the previous year. Low GNPA and NPA put us among the top tier commercial banks in terms of credit quality, while the collective efforts of our teams across functions enabled collection efficiencies to above 95% levels as on March 31, 2021.

It is our belief in the Board that behind these numbers lie a story that goes beyond efficient cost management and fiscal prudence. It is a story of the power of collective resilience, grit and agility of our workforce, who went the extra mile to support the Bank's Business Continuity Plan (BCP) that we put into action immediately after the pandemic broke out. The pandemic had challenged the edifice, with lockdown

restrictions and safety protocols necessitating a shift from interpersonal connect to remote customer service proposition. However, striking a fine balance between ensuring business continuity and maintaining safety of employees and customers, the team moved with extraordinary agility to sustain operations through the difficult external environment that prevailed through the year. At the same time, we successfully created new touchpoints of customer connect. To ensure that critical segments and IT operations were unaffected even for a day during the lockdown, our core teams got together under one roof, where they stayed for more than a month till the business had transitioned successfully into the New Normal that emerged with the easing of the restrictions. It underscores the deep-rooted strengths that we have carefully nurtured through targeted strategic interventions over the years, in our quest to become the most admired.

I thank my colleagues on the Board for being steadfast in their pursuit of the highest standards of governance and ensuring that your Bank has a steady line of leadership that is agile and dynamic. I take this opportunity to heartily congratulate Mr. Shyam Srinivasan for a year that has seen the recognition of his record of exceptional leadership. He has been conferred the Business Standard 'Banker of the Year 2020'. The reward did come to a Bank which has retained the faith of depositors and shareholders in India's banking system without giving the regulator grounds to complain. The numerous awards that followed us in the previous fiscal including The Best and Fastest Growing Bank in the mid-sized category award by Business Today & KPMG, Private Sector Bank of the year by Outlook Money, Great Place to Work certification all endorsing our deep-rooted strengths and the relevance of our strategy in these testing times.

CONNECTED, ALWAYS!

In its journey towards the realisation of the goal to be the First Choice, your Bank has pursued the mantra of staying connected with customers, always!

It is to the credit of our people that they made a difficult transformation appear seamless.

On behalf of the Board, I convey my heartfelt appreciation to our people, and assure them and their families, of the Management's continued support in these hard and difficult times of the pandemic. Moving forward, we are confident that your continuing efforts as in the previous fiscal, will help us effectively steer our journey to become the First Choice for a growing customer base. Our efforts at scaling up our digital interface and our people strength will help us build on the resilience of our brand, enabling us to garner a bigger mindshare of our stakeholders. Staying relevant is the mantra of our strategic approach, as we focus on embracing the emerging reality, through a well-balanced bouquet of superior products, supported by a 360-degree customer service proposition. Building on our digital innovation strengths, we shall continue to enhance our customer connect, without compromising our corporate governance standards to make the Federal experience of our stakeholders even more engaging, credible and unique.

All this and more, we hope to accomplish while expanding our community outreach through our CSR initiatives, to create a more enabling environment for the sustenance and development of vulnerable sections, particularly amid the ongoing health crisis. Our 'Sanjeevani' campaign – India's biggest vaccination drive – stands testimony to our commitment to the health, safety and well-being of these communities.

We are confident that our indomitable spirit will help us come out of this season stronger, better and more admired.

On this note, on behalf of my colleagues on the Bank's Board of Directors, I would like to thank our Team led by our dynamic MD & CEO for their unflinching commitment to the Federal vision and goals. We are also deeply grateful to our customers, shareholders and other stakeholders for their unwavering trust in the Bank, inspiring our continuing journey towards greater excellence and value creation.

With best wishes,
Grace Elizabeth Koshie

Message from the Managing Director & CEO



“ Simple, Digital, Contactless – this is what I had defined last year to be the cornerstones of our strategic focus for FY 2020-21, and a stepping stone in our journey to become the bank of FIRST CHOICE for Indians ”

Dear Shareholders,

Thank you! And I sincerely hope this finds you safe and well!

It is my pleasure to share with you our Annual Report for FY 2020-21, a milestone year for the Bank in more ways than one.

A year back nobody knew how radically the world would change due to the pandemic and would trigger a sharp recession creating unprecedented challenges for individuals and society at large. Our report documents how our franchise responded to these testing times, on all fronts. In these challenging times, our eagerness to adapt and innovate has placed us in a strong position.

I had indicated last year that Simple, Digital, and Contactless would be the three guiding themes for FY 2020-21. I am happy to share that, we could navigate extreme volatility and successfully scale up our customer connect as we transitioned to a contactless mode, quite seamlessly, courtesy our alert and agile digital framework.





Our team worked across service lines to ensure that our clients' supply chains remain intact, their liquidity is well managed, and guided them through several government stimulus packages. Now, we are trying to help them innovate for opportunities ahead, beyond the pandemic. We are helping them realise that beyond this upheaval, lies a future of limitless possibilities.

Last year I had referred to the pandemic, as a Tsunami Plus, it turns out to be one for long too. As you read this message, our country thankfully and hopefully will be at the ebb of the second wave. Nevertheless, even in this mammoth crisis, your Bank continued to remain an island of calm with our consistency, which is a reflection of our well-constructed risk architecture. For us, this is the true face of responsible growth as we successfully translated insights into collective action.

Our performance of FY 2020-21 was built on the bedrock of a solid foundation established by focussing on digital for the past decade. Our leading-edge digital capabilities make us a sought-after Bank in the neo-banking space. Launch of digital products and digital marketing initiatives marked a strategic leap for the Bank to capitalise on the new realities more effectively, translating into 86% share of digital transactions.

This year we went live with Feddy, an AI-powered virtual assistant and further integrated it into Google Business Messaging, a first-of-its-kind feat by any Indian Bank. We introduced Fed-e-Studio, a fully digital self-service kiosk, to

aid our clients with contactless transactional services. To ensure social distancing in branches, we developed FedSwagat, for customers to pre-book their visits. Federal 24 7, an online account opening service that utilises VAO (video account opening), was also launched to remotely open a savings account. Our continuous monitoring of the emerging technologies, changing customer preferences and data footprint helped us to forge partnerships with FinTechs. We also leverage the strength of these partnerships to drive our vision. Tie-ups with the ePiFi and Digivridhi are two examples of this.

Our strategy and commitment to grow a secured credit portfolio, to pursue quality over quantity while ensuring our liabilities continue to be organic and granular helped us deliver on our capital conservation theme. We had to make some difficult choices that were necessary to realise our ambition as we commit to accelerating progress towards the goal of being the Most Admired Bank.

Financial highlights

Let me now share with you some of the key operational financial highlights that made FY 2020-21 one of the stronger years for the Bank despite the challenging macro environment. Notwithstanding the headwinds, we could deliver most of the targets and ambitious goals that we had

set for ourselves for FY 2020-21. Q4 of the FY saw the Bank record its highest ever Quarterly Net Profit of ₹ 477.81 Crore. Here are some of the other highlights:

- The Bank crossed the milestone figure of ₹ 3 Lakh Crore in the total quantum of business, which grew 10.91% during the year - from ₹ 274,557.99 Crore as of March 31, 2020 to ₹ 304,523.08 Crore as of March 31, 2021
- Our annual net profit rose from ₹ 1,542.78 Crore as on March 31, 2020, to a record ₹ 1,590.30 Crore, as on March 31, 2021
- Total deposits grew 13.37% during the year, while Gross Advances grew 8.64%
- Capital Adequacy Ratio (CRAR) of the Bank, computed as per Basel III guidelines, stood at 14.62%, and Net Worth at ₹ 16,123.61 Crore as on March 31, 2021
- Driven by our aspiration to build our granular but well-diversified deposit portfolio, we could scale up our CASA level by 25.66%
- Asset quality held up well, and Net NPA of 1.19% placed the Bank amongst the best in the industry. The Provision Coverage Ratio was improved significantly to 65.14% from 53.39%



Message from the Managing Director & CEO



Great Place to Work®

For us, the safety and wellbeing of our employees is of paramount importance. During the pandemic, we had swiftly invoked travel restrictions and put in place comprehensive set of guidelines around meetings, events, to aid a safe return to offices eventually. Probably, this underscored credential of being an employee-friendly organisation got us the tag of being a Great Place to Work® this year. Also, despite the disruption caused by COVID-19, this year, we welcomed 556 new colleagues and inducted them digitally.

Awards and recognitions that came our way

As far as awards and recognitions are concerned, the year turned out to be an abundantly rich one. Needless to say, these have spurred us to further raise the standards of our performance. Among the major awards we won during the year for our overall performance were:

- 'Award for the Best and Fastest Growing Bank in the Mid-Sized Category' from Business Today-KPMG,
- 'Banker of the Year' award conferred on me by Business Standard, and
- 'Private Sector Bank of the Year' award under Gold category at the 20th edition of Outlook Money Awards.

Among other recognitions were 'IBA's 16th annual technology awards', Skoch awards, all

of which encourage us to pursue excellence with additional rigour.

Our support to the fight against COVID-19

To support the community around us, especially the ones battling the pandemic, on World Health Day, we embarked on India's biggest vaccine promotion drive, 'Sanjeevani – A Shot of Life,' which is currently addressing vaccine hesitancy and all the myths or misconceptions that surround it. We also joined hands with the National Health Mission to set up a special COVID facility in Aluva government district hospital. This is just a highlight of the various infrastructure, logistic and awareness programmes that we are doing around the country to combat the pandemic and ensure quality healthcare facility.

Looking ahead

Redefining human experience, the digital way has been our constant goal for a while now. Our digital innovations of today are on the cusp of redefining the banking paradigm of tomorrow. We are and shall continue to look ahead, adapt and transform for our motto of 'Digital at the fore and Human at the core'.

We quite optimistically believe that we will emerge stronger having overcome many challenges when we get to the other side of this once-in-a-lifetime pandemic! But our values, culture of compassion and purpose of becoming the 'Most Admired Bank' will remain our signpost. We will also continue to efficiently allocate our attention towards 'Presence to Prominence' and 'Prominence to Dominance' across geographies even for this FY.

While we broaden our horizons and accelerate progress, we will focus on reaching India's underbanked and underserved with our neo-banking partnerships and a purpose of 'inclusive finance'. We are constantly innovating and deploying unique differentiators in our endeavour to transform small businesses

across the country. The stakes are high for small businesses in India as they are the future and make up most of the industrial fabric in our country. We are co-creating digital enablers for these businesses, to make them more sustainable and efficient. Our renewed commitment to democratise financial services using hybrid digital instruments for small businesses and deeper geographies will narrow the digital gap and deliver tangible results soon. The right digital model of reaching and enriching the underserved will surely catapult us as 'The Perfect Banking Partner' for these entities. Along with these, we will continue to address pressing issues such as environmental sustainability and economic inequality, and these will be the crux of our governance goals going ahead.

The banking brethren, to my understanding, will massively harness technology to serve the society better. But while we nurture this digitally powered society, it is imperative that Humans remain at the core to accentuate the impact and cultivate mindfulness. Hence, the Future of Digital is Human! Who knows, in the future we might even find Simulated Neural Networks, AI and IoT as anecdotes in the history of 'Human-based-Digital'.

In conclusion, I would like to thank all our eminent Board Members for guiding and supporting us through these testing times. Their staunch support has enabled us to deliver a robust performance in an exceptionally tough macro environment. Additionally, I extend my big thanks to the Team and all our stakeholders for their consistent support, trust and patronage.

I remain "Proud to be a Federal!"

With best wishes,
Shyam Srinivasan





Looking back at the year with pride



BEST BANK

State Forum of Bankers' Clubs



BEST BANK
Winner

Business Today & KPMG



FASTEST GROWING BANK
Winner



PRIVATE SECTOR BANK OF THE YEAR
Winner

Outlook Money Awards



MOST INNOVATIVE PROJECT
Winner

IBA's 16th Annual Technology Awards



BEST IT RISK & CYBER SECURITY INITIATIVES
Runner-up



BEST TECHNOLOGY BANK OF THE YEAR
Runner-up



BANKER OF THE YEAR

Business Standard



SKOCH SILVER
BFSI Sector



Embracing the Digital... To Become More Human!

Want to know how to open an account with Federal Bank without having to visit any of its branches? Or how to generate your Account Statements & Interest Certificates if you are an existing customer? All you have to do is ask Feddy. Or, you can simply get Alexa to ask for you! Such is the power of our Digital-Human interface, which we scaled multifold during the pandemic.

From being the buzzword for new-age business models, digital became the new imperative for every business during FY 2020-21. With business continuity emerging the biggest challenge amid the COVID-19 pandemic, India's banking system moved fast to embrace a new scale of digitalisation, while ensuring

that it stayed connected with customers through these testing times.

At Federal Bank, we were quick to put our Business Continuity Plan (BCP) into action in the immediate aftermath of the pandemic outbreak. We expanded the ambit of our digital-human framework to make it more

relevant to the times, and deliver effectively on our promise of ensuring a safe transition to the new work culture.

We adapted quickly to the transformed external eco-system through targeted initiatives aimed at enhancing the digital outreach for our customers, employees and our IT infrastructure.

We facilitated the digital migration of our Corporate Customers, across categories:

- Fed Mobile was used to identify and hand-hold small enterprises, such as proprietorships & partnerships
- FedNet helped in the digital migration of medium enterprises (private limited companies & small public limited companies)
- Fed E Biz, our more evolved and complex digital tool, was deployed to steer the migration of corporate & institutional banking customers
- We appointed Digital Banking Ambassadors in major cities, to guide our corporate customers into migrating to the new digital transaction norms

To bring about the cultural / mindset transformation needed for the adaptation of employees to the new work normal, we:

- Provided digital tools to employees, and trained managers to supervise their digital migration to the work-from-home norms
- Got an external audit done in May 2020 for identifying gaps in data security/protection, and quickly implemented the recommendations
- Formalised the Work from Anywhere Policy through Board approval
- Introduced structured online employee and managerial training modules, along with welfare initiatives

We strengthened our Information Technology (IT) and digital structures through:

- Augmentation of the operational capabilities of our teams
- Early risk identification to provide back-ups in case of any gaps in the IT systems/processes/teams





Our Credit Card, launched for the internal CUG Team in March 2021, is India's first-of-its-kind complete digital card. The card, which we have since expanded to cater to our existing customers, is issued and activated through a 3-click process. The virtual card is delivered to the applicant through FedMobile within seconds, followed by physical card.



FEDDY gets 'cooler'

We added some more cool features during the pandemic to Feddy, our AI-powered Virtual Personal Assistant. Feddy is equipped with state-of-the-art machine learning algorithms to answer all banking queries of customers on the go, 24x7. Accessible via Alexa, Google Assistant, Corporate Website and WhatsApp, Feddy can also be searched through Google Maps and Google Search. Besides providing a host of bank-related information, Feddy also has a lighter side to it – it is always ready to cheer up the customer with a joke or two. All you need to do is ask!

And there's more...

Besides Feddy, Federal Bank's digital sweep encompasses many other unique initiatives, including facial recognition for employees, blockchain technology-based solutions for remittances, video-based KYC solutions. Equipped with more user-friendly and advanced features, our revamped FedMobile provided end-to-end solution to customers during these pandemic times.

During FY 2020-21, we also upgraded various digital platforms, such as FedNet, Lotza and FedBook (for retail customers); FedCorp, Corporate FedNet, Paylite and Fed-E-Biz (for corporate and SME customers). These upgradations led to enhanced experience and security for our customers.

Our pioneering GoNoGo solution allows Tab Banking for auto loans.

In keeping with its mantra of 'Digital at the fore, Human at the core', the Bank has ensured that customers who needed to visit the Bank personally, amid COVID-related curbs, did not have to wait outside for their turn. FedSwagat allows them to secure a web appointment, with the reference number delivered via SMS facility.

We are enhancing our investments in API banking, working closely with our existing and new Fintech partners to give an enhanced digital experience to our customers. With IT emerging as

an enabler to make the Bank more digitally empowered, we are also moving some of our apps to Cloud architecture. We have set up a Centre of Excellence for RPA (Robotic Process Automation) transformations to boost ease of transactions and enable better engagement for customers.

With the pandemic necessitating new ways of marketing, we are now promoting our products through an array of engaging digital and social media campaigns, while also using traditional avenues such as Radio Campaigns for certain products like Gold Loans.



Performance Highlights FY 2020-21

86%

Digital Transactions

10.6K Crore

Monthly Mobile Banking Volume

84%

Accounts Opened Digitally

167%

Y-o-Y Growth in UPI Transactions

200+

RPA Processes Operational

50+

Fintech Partners

No. 1

Partner Bank of Bharat Pe
(15 Lakh+ transactions processed every day)

(As on March 31, 2021)





We are Human at the Core...

The human face of our digital interface was sharply accentuated during FY 2020-21, when our people helped us push the bar of excellence in performance across metrics. Even as they went the extra mile to ensure business continuity, our employees joined in actively nurturing our ESG (Environment, Social, Governance) ethos.



From how to download FedMobile or activate Internet Banking, to the procedure of updating KYC or securing loans, Feddy is the one-stop answer to every customer query. With Feddy, you can never get lost, be it in finding the nearest Bank Branch/ATM or IFSC/SWIFT codes. When you search for a Federal Bank branch on Google Maps or Google Search, click on the card that appears related to the branch and then click on 'Message/Chat'. Voila, Feddy will be there to answer all your queries.

From adapting to the new realities of our digital journey, to joining our efforts to deliver sustainable long-term value to our stakeholders, our people were with us at every step. They enabled us to stay connected with our customers even in these testing times. They made it possible for us to move concertedly forward on our aspirational journey of nurturing the future by building on the present.

Read on to find out about those cherished people partnerships that are helping us realise our vision to be the First Choice of every Indian, in every possible way!



Nurturing ESG Goals to Drive Human Aspirations

For our stakeholders, Federal Bank is more than a banking partner. It is a force that nurtures their financial aspirations and translates them into realisable goals. Cognisant of our role in the lives of our clients, customers, employees, communities and the society at large, we remain committed to staying engaged with them through their lifecycle journeys. We are continually investing in their sustainable future growth to ensure sustained value creation.

Our Environment, Social and Governance (ESG) framework is aligned to this ethos. With environmental awareness among our shareholders and stakeholders increasing, we realise the importance of adopting ESG compliant sustainable business practices for long-term business continuity.

The Global Risks Report 2021 by the World Economic Forum identifies climate

action failure and infectious diseases as the two most worrying risks globally. Of the 10 risks identified under Likelihood and Impact, six of the Likelihood risks and seven Impact risks are categorised as both, Environmental and Societal Risks.

At Federal Bank, business responsibilities are the foremost consideration in how we conduct our business, including

our risk management and controls, human management, support for local communities, corporate governance, as well as our attitude towards clients and customers. As a Bank, we understand there would be many risks associated with the market. We look at ESG as an integral part of business, and take utmost care while framing strategies around this, as we do with other business operations.







As part of our endeavour to foster the ethos of ESG across the Bank, we are coming out with an ESG theme, in line with the principles of UN Sustainability Development Goals (SDGs), to ensure that every employee is aware of the importance of ESG focus and the need to move forward on these goals responsibly.





Protecting The Environment

We have initiated various measures to ensure environmental protection and foster a culture of preserving the ecology for future generations. These include:

Environment Initiatives	Description & Highlights	UN SDGs Impacted
Energy Management 	We are conscious about the need for energy management and, as a team, we endeavour to contribute to a low carbon economy. We realise this is a continuous process, and are engaged in introducing energy-efficient systems and leveraging technology to boost energy efficiency in our operations.	
Renewable Energy 	We have installed solar capacity at various offices across locations. During the year, we cumulatively installed 120 KW of solar capacity. 1.20 Lakh kWh Electricity Generated in FY 2020-21	
LEDfication 	We are substituting fluorescent lights with LED lights across our branches pan India. 1.75 Lakh kWh Electricity Saved in FY 2020-21	

Nurturing ESG Goals to Drive Human Aspirations

Environment Initiatives	Description & Highlights	UN SDGs Impacted
VRF Systems & Inverter Air Conditioners 	New invertors/VRF AC units were installed and many existing ones were replaced during the year. 0.80 Lakh units Electricity Saved in FY 2020-21	
Water Conservation 	Rainwater harvesting units are installed at various branches and corporate office. 1 Lakh litres Water Saved during FY 2020-21	
Equipment Schedulers 	All our branches and offices are installed with Equipment Time Schedulers for Signage boards and ATM Lollypop boards. Even elevators are used in the most efficient manner, resulting in energy conservation.	
E-Waste Management 	Eco-friendly disposal of E-waste is ensured through tie-ups with reputed vendors.	
Financing for Electric Vehicles 	We granted loans for the purchase of eco-friendly Electric Vehicles for an amount of ₹ 170.00 Lakh during the financial year. We plan to augment such financing in the coming quarters.	





Environment Initiatives	Description & Highlights	UN SDGs Impacted
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Digital innovation & Paperless Banking



Our initiatives on this front during the year included:

81.5 Lakh sheets

Paper Saved

- Digital Document Management and Execution:** This project takes care of document movement across the organisation in a paperless way and including online digital signing of agreements for auto and personal loans
- Fed E-Remit:** Our digital outward remittance platform enabled us to do 20% of eligible outward remittances digitally, with reduced TAT
- Online Demat Account Opening:** We are the first ever Bank in India to implement 60 seconds Demat account opening, without any documentation
- Digital Onboarding:** 84% of all new customer acquisitions are done digitally helping us to save time and energy
- Revamped Mobile Banking:** 70% of all digital transactions in the Bank are done through revamped Mobile Banking which is a one-stop shop for all customers enabling higher digital migration



115 Lakh litres

Fuels Saved

- 86% of transactions done digitally:** 86% of all the transactions in the Bank are done digitally by customers from their locations across the world thereby eliminating the need of travel to a bank branch for conducting a transaction
- Implementation & Use of Online Meeting Platform:** Around 67% of the Bank's employees used this platform during the year thereby reducing the need of business travel



Reduced use of plastic bottles



We have reduced single-use plastic water bottles at all our offices and branches.



Nurturing ESG Goals to Drive Human Aspirations

Driving Social Empowerment

Our social enterprise involves working towards community stakeholders through initiatives aligned with the United Nations' Sustainable Development Goals (SDGs).



Social Initiatives	Description and Highlights	UN SDGs Impacted
SOCIETY		
<p>Financial Literacy</p> 	<p>The Bank has launched various schemes for imparting financial literacy through rural branches and financial literacy centres.</p> <p>During FY 2020-21, 507 financial literacy camps (including 270 online sessions) and 205 counselling sessions (including tele counselling) were undertaken through Federal Ashwas Financial Literacy Centres. Around 0.15 Lakh participants benefited from the initiative.</p>	
<p>Social Security Schemes</p> 	<div style="border-bottom: 1px solid #ccc; padding-bottom: 10px;">  <p>Pradhan Mantri Jan Dhan Yojana (PMJDY): The number of total enrolments is 6.20 Lakh, as on March 31, 2021.</p> </div> <div style="border-bottom: 1px solid #ccc; padding-bottom: 10px;">  <p>PMJJY: The number of total enrolments is 1.49 Lakh, as on March 31, 2021.</p> </div> <div>  <p>PMSBY: The number of total enrolments is 3.74 Lakh as on March 31, 2021.</p> </div>	<div style="border-bottom: 1px solid #ccc; padding-bottom: 10px;">  </div> <div style="border-bottom: 1px solid #ccc; padding-bottom: 10px;">  </div> <div>  </div>





Social Initiatives	Description and Highlights	UN SDGs Impacted
<p>Government Sponsored Credit Schemes</p> 	<p>The Government of India and various State Governments have come up with several credit schemes with and without subsidy. The major Government-sponsored schemes implemented by the Bank are as follows:</p> <hr/> <p> Pradhan Mantri Mudra Yojana (PMMY): The number of loans sanctioned under Shishu, Kishore and Tarun has reached 4,602 accounts, totalling an amount of ₹ 10,658.58 Lakh, as on March 31, 2021.</p> <hr/> <p> Prime Minister's Employment Generation Programme (PMEGP): The number of loans sanctioned under PMEGP was 2,790, and the amount sanctioned was ₹ 6,420.36 Lakh, as on March 31, 2021.</p> <hr/> <p> National Rural Livelihoods Mission (NRLM): The number of loans sanctioned under NRLM has reached 140, and the amount sanctioned was ₹ 281.20 Lakh, as on March 31, 2021.</p> <hr/> <p> National Urban Livelihoods Mission (NULM): The number of loans sanctioned under NULM reached 208 and the amount sanctioned was ₹ 242.13 Lakh, as on March 31, 2021.</p> <hr/> <p> PM Street Vendor's Atmanirbhar Nidhi (PM SVANidhi): The number of loans sanctioned under the scheme reached 896, and the amount sanctioned was ₹ 89.55 Lakh, as on March 31, 2021.</p> <hr/> <p> Chief Minister's Helping Hand Loan Scheme (CMHLS): The number of loans sanctioned under the scheme has reached 1,438 and the amount sanctioned was ₹ 1,331.24 Lakh, as on March 31, 2021.</p>	<p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</p> 

Nurturing ESG Goals to Drive Human Aspirations

Social Initiatives	Description and Highlights	UN SDGs Impacted
EMPLOYEES		
<p>Employee Welfare and Development initiatives</p> 	<p>Equal opportunity, diversity and inclusion</p> <p>Our Talent acquisition process involves visiting various reputed institutions in different states across the country.</p> <p>During the last recruitment process, over 40% of candidates hired were women, which aligns well with our Gender Diversity Philosophy. Of the 1,265 general banking branches, 20% of branches are headed by women.</p> <hr/> <p>Employee Welfare</p> <ul style="list-style-type: none"> Fully paid maternity leave & paternity leave Fed Cradle - concessional crèche facility Education scholarship to employee's children LFC, including foreign travel Compassionate appointment - in the unfortunate event of death of an employee Sabbatical leave <hr/> <p>Employee Well-Being</p> <ul style="list-style-type: none"> Financial Wellness - Staff loans with attractive rates of interest; 1% additional interest rate on deposits SMILES - dedicated hotline for counselling sessions by trained professionals Medical Insurance scheme coverage for employees and dependent family members Annual health check-ups for employees aged above 40, along with spouse Wellness programmes/campaigns through tie-ups with hospitals and other organisations Exclusive medical welfare trusts for catering to the medical needs of employees Annual medical aid to employees for investing in well-being <hr/> <p>DIYA: Diya is a welfare scheme to support the immediate financial needs of the family suffering from the unfortunate loss of an employee.</p> <hr/> <p>Care for retired employees: The Bank offers retirement planning programme - Odyssey - to employees who are about to retire from service. This helps them organise their financials like tax planning, and also includes sessions on yoga and meditation for health and well-being. Dedicated ID Cards and service memoir, medical insurance is also provided by the Bank.</p>	<div style="display: flex; flex-direction: column; align-items: center;"> <div style="margin-bottom: 10px;">  <p>5 GENDER EQUALITY</p> </div> <div style="margin-bottom: 10px;">  <p>10 REDUCED INEQUALITIES</p> </div> <hr/> <div style="margin-bottom: 10px;">  <p>8 DECENT WORK AND ECONOMIC GROWTH</p> </div> <div style="margin-bottom: 10px;">  <p>16 PEACE, JUSTICE AND STRONG INSTITUTIONS</p> </div> <hr/> <div style="margin-bottom: 10px;">  <p>8 DECENT WORK AND ECONOMIC GROWTH</p> </div> <div>  <p>16 PEACE, JUSTICE AND STRONG INSTITUTIONS</p> </div> </div>





Social Initiatives	Description and Highlights	UN SDGs Impacted
<p>Overview of Learning and Development</p> 	<p>FY 2020-21 – At a Glance</p> <ul style="list-style-type: none"> ● 24,295 Trainees — 3.28 Lakh e-learning hours ● 74,400 Training hours — 4.02 Lakh total manhours ● 10,820 Unique employees trained — (37 hours Average training hours per employee 4.60 days/employee Average training days per employee) 	
<p>Caring During COVID-19</p> 	<p>A COVID-19 Help Desk was set up at zone/regions to take care of employee needs and immediate priorities in specific zones, regions and Head Office, with dedicated lines. Crisis Management Teams were formed at Head Office and all Zonal Offices. The team had discussions on Business and People Continuity front and designed weekly COVID management strategies. Bank gave autonomy to Zonal leaders to take decisions on matters pertaining to their locality, depending on the local requirements/adhering to the local guidelines. This drastically cut down the time in taking crucial decisions, thus expediting the activities in their respective zones. Bank gave special consideration to employees who needed special care, such as seniors, women employees who are expecting mothers, and employees with challenging health issues.</p>	
<p>Being Progressive with Evolving Needs</p> 	<p>The health and safety of the employees and their families have been the Bank's top priority throughout the pandemic.</p> <ul style="list-style-type: none"> ● COVID Assistance Programme ● Limited Employee Movement ● Special Casual Leave ● Doctor on Call ● Webinar on Meditation, Yoga ● Interactive Talk Show on Health Risks of the Employees ● Webinar on Diet & Nutrition ● Extended Out-of-Pocket expenses ● Medical Insurance coverage in connection with COVID-19 ● Reimbursement of Travelling Expenses 	 

Nurturing ESG Goals to Drive Human Aspirations

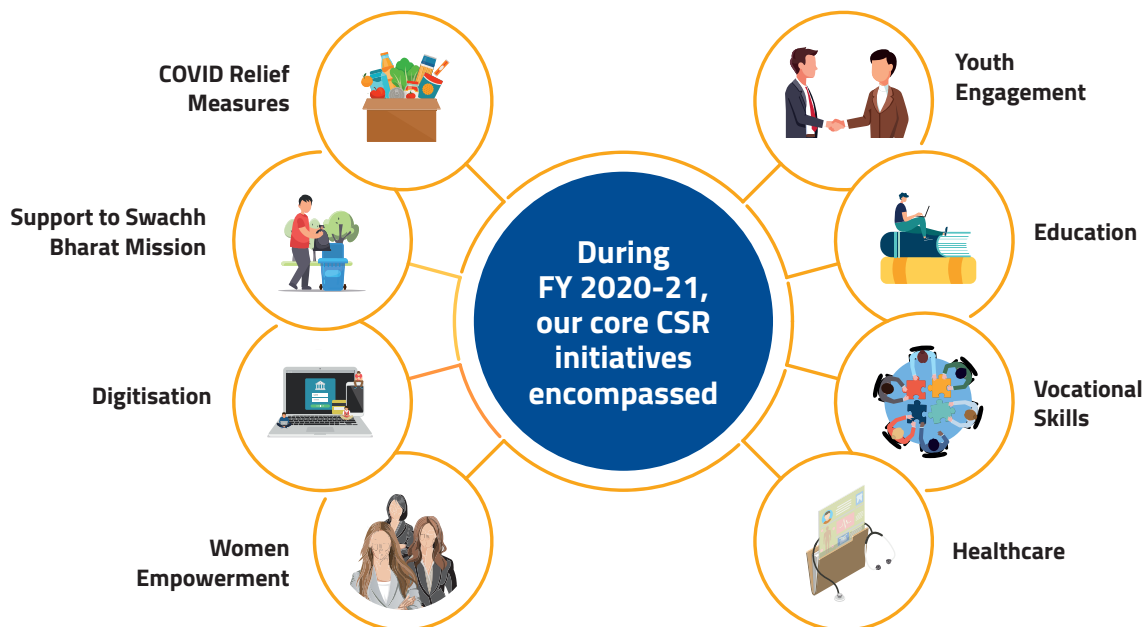
Our CSR agenda during FY 2020-21

Our Corporate Social Responsibility (CSR) ethos is embedded in our fundamentals since the day the Bank was founded. We undertake CSR activities under the aegis of Federal Bank Hormis Memorial Foundation, which was set up by the Bank in October 1996 in fond memory of the Bank's founder, Late Shri K P Hormis, and the Foundation was inaugurated by the then Finance Minister Shri P Chidambaram at Ernakulam. The Foundation acts as a Special Purpose Vehicle for executing the Bank's CSR projects.

With a focus on developing the communities and promoting environmental sustainability to nurture the future, our CSR charter encompasses the key areas of Health, Education, Women Empowerment, Environment Sustainability, and others permitted by Schedule VII of the Companies Act, 2013.

The other CSR initiatives included in our CSR policy are:

- Poverty alleviation
- Education and skill development
- Gender equality and welfare of senior citizens
- Ensuring environmental sustainability and ecological balance
- Protection of National Heritage
- Benefit of Armed Force veterans
- Promote rural sports, as well as nationally recognised Paralympics and Olympic sports
- Contribution to the Prime Minister's National Relief Fund or any other Funds set up by Government
- Providing financial assistance to technology incubators
- Development projects for rural and slum areas
- Prevention of child abuse and child labour
- Support to Swachh Bharat Mission
- Promotion of Digitisation
- Disaster Management





A glance at some of our key CSR initiatives



Promoting Education

- Federal Bank Hormis Memorial Foundation scholarships (Total amount spent – ₹ 141.83 Lakh, Beneficiaries – 293 students reimbursed in FY 2020-21)
- Federal Skill Academies (Total amount spent – ₹ 139.32 Lakh, Beneficiaries – 472 trainees from four Federal Skill Academies)
- Support to IIT Palakkad- Research and Development in the context of COVID-19 (Amount spent: ₹ 35.00 Lakh, project is at final stage of research, deployment of machines is pending)



Disaster Management – COVID-19

- Deployment of Mobile ATMs in Karnataka, Kerala, Maharashtra and Tamil Nadu for the safety of the general public
- Livelihood Enhancement - COVID Warden Initiative. (Amount spent: ₹ 512.06 Lakh, Beneficiaries - 322)
- Funding Community Kitchens at Aluva, Perumbavoor (Amount spent: ₹ 16.00 Lakh, Beneficiaries - 8,000 labourers per day for 10 days)
- Support to Keshav Srushti (Amount spent: ₹ 5.00 Lakh, Beneficiaries -

1,000 medical staff in hospitals of Mumbai)

- Support to Enhance Medical Facilities in CMC Vellore. (Amount spent: ₹ 10.00 Lakh - to procure more specialised equipment, PPE kits, Ventilators etc. to fight COVID-19)
- Support to Directorate of Health Services for purchasing 10,000 vaccine carriers for all the districts in Kerala (Amount spent - ₹ 78.00 Lakh)
- Support to COVID Vaccine Distribution Project in Maharashtra - for purchasing ice lined refrigerators for storing vaccines (Amount spent - ₹ 36.00 Lakh)
- Support to Mobile Vaccine Distribution Project in Ponnani, Malappuram and Nilambur areas of Malappuram District (Amount spent - ₹ 12.00 Lakh)

'SANJEEVANI' – A SHOT OF LIFE

Strengthening India's fight against COVID pandemic, Federal Bank launched a nationwide vaccination awareness campaign 'Sanjeevani – A shot of life', in March 2021, in partnership with media conglomerate Network18 and actor & social activist Sonu Sood. The campaign, flagged off on the occasion of World Health Day (April 7) at Attari Border (Punjab), the Bank has adopted five districts namely Amritsar, Indore, Nashik, Guntur and Dakshin Kannada for spreading awareness and running vaccination drives.



Nurturing ESG Goals to Drive Human Aspirations



Ensuring HealthCare

- Support to KEM Hospital to enhance medical facilities (Amount spent: ₹ 15.96 Lakh - sponsored purchase of specialised ventilators having HFO)
- Sponsoring Trauma Care Units - Support to Sansad Mobile, Swasthya Seva, Himachal Pradesh (Sanctioned amount: ₹ 176.00 Lakh for 5 Mobile Medical Units, Beneficiaries - 3,000)
- Promoting Differently Aabled - Support to SCTIMST (Sree Chithira Thirunal Institute for Medical Sciences and Technology) (Amount spent: ₹ 18.59 Lakh, Beneficiaries - 740)



Promoting Environment Sustainability & Swachh Bharat

- SEED – Student Empowerment for Environment Development (Sanctioned amount: ₹ 22.00 Lakh, Beneficiaries - 38.00 Lakh participants from 7,053 schools across Kerala)



Eradicating Hunger, Welfare & Poverty Alleviation

- Support been extended to Scalae Charitable Society, Akshaya Patra Foundation, Kerala Samajam, Ernakulam Parliament Constituency, Bosco Integrated Development Society, etc.

Promoting Sports & Culture

₹ 40.00 Lakh
Sanctioned Amount

27
Women players and 60 emerging club players from poor background

Strengthening the Governance Framework

We are dedicated to sustaining the premier quality of Governance in the supervision of business, and are continually striving to formulate enduring principles for all our shareholders. We have prioritised extensive compliance with laws and regulations that govern the business. We are focussed on nurturing the habit of ‘doing right first time’ through transparency, responsibility and moral conduct.

Defining Corporate Governance

Corporate governance is essentially a set of standards, systems and procedures aimed at effective, honest, transparent, and responsible management of a company, within the applicable statutory and regulatory structures. Good corporate governance practices help support and strengthen corporate actions for the realisation of the corporate objective.

The Bank’s principal corporate goal, like that of any corporate business entity, is to perpetuate its business, while protecting and enhancing, over the long term, the value of the interest of its shareholders.



Competence and Board Proficiency

The Bank’s Board of Directors consists of distinguished executives with variegated experience, and having command in Banking, Financial Markets, Risk Management, Regulatory Events, Finance, Credit, IT, Human Resource Management, Agriculture, Rural Economy, SSI and Law sectors/domains. The Board stimulates

the advocacy of globally accepted principles in our operations. Transparency and accountability are among the key standards expected by our shareholders. We follow timely disclosures, as per norms from regulatory authorities, and unbiased presentation of facts and figures for our stakeholders. Compliance culture has been adopted by the Board and the senior leadership as the topmost priority.

Majority of the Directors of the Bank have been associated with the Bank for more than 5 years, and have in-depth understanding of the Bank’s business model, business processes and business environment. Each director has special knowledge and practical experience in various areas, as required in terms of the provision of section 10-A(2)(a) of the Banking Regulation Act, 1949.





During FY 2020-21, the Directors of the Bank were nominated for attending the following Certification Programmes:

Name	Designation	Programme Name	Institute
Grace Koshie	Chairperson	Webinar: RBI Discussion paper on Corporate Governance in Indian Commercial Banks	CAFRAL
Balagopal Chandrasekhar	Independent Director		
Balakrishnan Krishnamoorthy	Independent Director		
Siddhartha Sengupta	Independent Director		
Manoj Fadnis	Independent Director		
Abhaya Prasad Hota	Independent Director		
Shyam Srinivasan	Managing Director & CEO		
Ashutosh Khajuria	Executive Director		
Shalini Warriar	Executive Director		
Sudarshan Sen	Independent Director	Online Certification Programme in IT and Cyber Security	IDRBT
Siddhartha Sengupta	Independent Director	Virtual Learning Programme for Non-Executive Director on the Boards of the Banks and Financial Institutions	CAFRAL
Ashutosh Khajuria	Executive Director	Virtual Learning Programme for Chief Financial Officers: Traditional and Evolving ROI	

Besides the Chairperson, Ms. Grace Koshie, Non-Executive Non-Independent Woman Director, the Board comprises seven Non-Executive Independent Directors including one Woman Independent Director and three Executive Directors.

Board of Directors

Ms. Grace Koshie
(Chairperson)



Mr. Shyam Srinivasan
(Managing Director & CEO)



Mr. C. Balagopal
(Independent Director)



**Mr. Balakrishnan
Krishnamurthy**
(Independent Director)



Mr. A.P. Hota
(Independent Director)



Mr. Siddhartha Sengupta
(Independent Director)



CA Manoj Fadnis
(Independent Director)



Mr. Sudarshan Sen
(Independent Director)



Ms. Varsha Purandare
(Independent Director)



Mr. Ashutosh Khajuria
(Executive Director)



Ms. Shalini Warriar
(Executive Director)





Key Management Team



Shyam Srinivasan



Ashutosh Khajuria



Shalini Warriar



Harsh Dugar



Venkatraman V



Jose K Mathew*



Wilson Cyriac*



Ajit Kumar KK



Krishnakumar K



Johnson K Jose



Babu K A



Divakar Dixit



Nilufer Mullanfiroze



Sanjesh Kumar



Kapil Bhatia



Nandakumar V



Anil Kumar V V*



Pitchai Mahalingam



Mohan K



Tomy John



Deepak Govind



Lakshmanan V



Sunil Kumar K N



Damodaran C



Anand Chugh



Samir P Rajdev

* retired

Corporate Information

Registered Office

Post Box No. 103, Federal Towers, Aluva-683 101, Kerala, India,
Ph: 91-484 2623620-29, Fax: 0484 2622672

Corporate Identification Number

L65191KL1931PLC000368

Joint Statutory Central Auditors

M/s. Varma & Varma and M/s. Borkar & Muzumdar
Chartered Accountants

Registrars & Transfer Agents

M/s. Integrated Registry Management Services Private Limited,
II Floor Kences Towers,
No.1 Ramakrishna Street,
North Usman Road
T Nagar, Chennai - 600017
Ph: 044-28140801
Email: csdstd@integratedindia.in





Directors' Report

To the Members,

Your Directors take pleasure in presenting the 90th Annual Report on the business and operations of The Federal Bank Limited ("the Bank"), together with the audited accounts for the Financial Year (FY) ended March 31, 2021.

FINANCIAL RESULTS

Financial results are presented in the table below:

(₹ in crores)

Financial Parameters for the year ended	March 31, 2021	March 31, 2020
Net Interest Income	5,533.70	4,648.90
Fee and Other Income	1,944.91	1,931.41
Net Revenue	7,478.61	6,580.31
Operating Expense	3,691.71	3,375.61
Operating Profit	3,786.90	3,204.70
Net Profit	1,590.30	1,542.78
Profit brought forward	2,616.67	2,174.28
Total Profit Available for appropriation	4,206.97	3,717.07
Appropriations:		
Transfer to Revenue Reserves	229.57	147.46
Transfer to Statutory Reserves	397.57	385.70
Transfer to Capital Reserves	153.45	135.83
Transfer to Special Reserve	120.99	96.00
Dividend pertaining to previous year paid during the year	-	278.22
Tax on dividend	-	57.19
Balance Carried over to Balance Sheet	3,305.39	2,616.67
Financial Position (as on)		
Deposits	172,644.48	152,290.08
Advances	131,878.60	122,267.91
Total Business (Deposits + Advances)	304,523.08	274,557.99
Other Borrowings	9,068.50	10,372.43
Investments	37,186.21	35,892.68
Total Assets (Balance Sheet Size)	201,367.39	180,638.05
Equity Capital	399.23	398.53
Ratios		
Return on Total Assets (%)	0.85	0.94
Return on Equity (%)	10.38	11.10
Earnings Per Share (₹)	7.97	7.76
Book value per share (₹)	80.77	72.86
Operating cost to Income (%)	49.36	51.30
Capital Adequacy Ratio (%) Basel (III)	14.62	14.35

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

HIGHLIGHTS OF PERFORMANCE

During the year 2020-21, your Bank delivered steady performance amidst the disruptions caused by the pandemic. Total business of your Bank improved by 10.91% to reach ₹ 304523.08 Cr as on March 31, 2021. 13.37% growth in deposits and 7.86% growth in advances (net) helped your Bank to clock this number. Total deposits reached ₹ 172644.48 Cr and advances (net) reached ₹ 131878.60 Cr and on

Directors' Report (Contd...)

averages, deposit portfolio of your Bank grew by 13.31% to reach ₹ 156016.40 Cr and advance portfolio grew by 8.10% to reach ₹ 123337.38 Cr.

On the NR side, NRE deposits had a growth rate of 11.77% to reach ₹ 63958.84 Cr and NRE Savings clocked a growth of 18.61% to reach ₹ 18310.99 Cr. The total NR business of your Bank stood at ₹ 68083.20 Cr with a growth of 12.19%.

GROWTH IN BUSINESS

On CASA front, Savings deposit touched ₹ 47686.29 Cr with 21.66% growth and Current deposits stood at ₹ 10684.19 Cr. Your Bank registered a healthy CASA growth of 25.66% to reach ₹ 58370.48 Cr. CASA ratio of your Bank stood at 33.81%.

The investment portfolio of your Bank has reached ₹ 37186.21 Cr as on March 31, 2021. The average investment as on March 31, 2021 is ₹ 35731.82 Cr.

PROFITABILITY

The Operating Profit of your Bank increased by 18.17% to ₹ 3786.90 Cr and Net Profit of your Bank is up by 3.08% to ₹ 1590.30 Cr. Healthy traction in core business streams has helped your Bank to have a good momentum in core operating performance. Net Interest Income improved by 19.03% to ₹ 5533.70 Cr while the Non-Interest Income stood at ₹ 1944.91 Cr.

Total income of your Bank during the fiscal year 2021 recorded 3.70% growth to reach ₹ 15702.81 Cr. Income from advances increased by 1.16% to reach ₹ 10795.12 Cr. The yield on advances stood at 8.75% and the yield on Investments (excluding trading gain) at 6.57%. The Net Interest Margin for the fiscal year is at 3.16% as against 3.05%, in the previous year.

Return on Average Equity and Return on Average Total Assets stood at 10.38% and 0.85% respectively. Earnings per Share (face value of ₹ 2 each) of the Bank, as on March 31, 2021 were ₹ 7.97. Book value per share had increased to ₹ 80.77 during FY 21.

EXPENDITURE

The total expenses of your Bank reduced by 0.18%, to reach ₹ 11915.91 Cr and by a reduction of 3.94%, interest expenses reduced to ₹ 8224.20 Cr in FY 21. Operating Expenses of the Bank during the fiscal year grew to ₹ 3691.71 Cr.

The cost of deposits of the Bank reduced to 5.00% as on March 31, 2021. The Interest expenses as percentage to total income stood at 52.37%.

SPREAD

During the fiscal year, the Bank's spread on advances (gross) stood at 3.75% and spread on investments (gross) increased to 3.28%. The Spread (net of provisions) on advance stood at 2.52%.

ASSET QUALITY

The Gross NPA of your Bank as on March 31, 2021 stood at ₹ 4602.39 Cr. Gross NPA as a percentage to Gross Advances is 3.41%. The Net NPA stood at ₹ 1569.28 Cr and this as a percentage to Net Advances is 1.19%. The Provision Coverage Ratio (including technical write-offs) stood at 77.65%.

NET WORTH & CAPITAL ADEQUACY

The Net Worth of your Bank grew by 11.06% to ₹ 16123.61 Cr as against ₹ 14517.61 Cr 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 14.62% which is considerably higher than the RBI stipulation. Of this, Tier 1 CRAR is at 13.85%.

BUSINESS OVERVIEW

Your Bank continued its consistent performance during FY 2020-21 with the total business of the Bank increasing by 10.91% to ₹ 304523.08 Cr.

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 ₹ 24.28 Cr, an improvement of 9.32% for the year and the profit per employee of the Bank stood at ₹ 12.68 Lakh during the fiscal.

EXPANSION OF NETWORK

The Bank has 1272 branches, 1947 ATMs/Recyclers and 10 Mobile ATMs as on March 31, 2021. 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 have improved to ₹ 7.97 from ₹ 7.76 during the year under review. Return on Equity during the year reached 10.38% in the fiscal year ended March 31, 2021.





Directors' Report (Contd...)

APPROPRIATIONS

(₹ in Thousands)

	FY 2020-21	FY 2019-20
Transfer to Revenue Reserve	2,295,718	1,474,611
Transfer to Statutory Reserve	3,975,743	3,856,953
Transfer to Capital Reserve	1,534,458	1,358,289
Transfer to Special Reserve	1,209,900	960,000
Dividend pertaining to previous year paid during the year	0.00	2,782,229
Tax on dividend	0.00	571,895
Balance carried over to Balance Sheet	33,053,829	26,166,675
TOTAL	42,069,648	37,170,652

Material Changes and Commitments, if any, 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

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 subscribed and paid up share capital of the Bank as on March 31, 2021 is ₹ 3,992,305,496/- divided into 1,996,152,748 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, 34,88,176 equity shares of ₹ 2/- each were allotted under Employee Stock Option scheme (ESOP) of the Bank and admitted for trading in NSE and BSE.

As on March 31, 2021, Bank has an outstanding of 3,000 units rated, unsecured, redeemable, non-convertible, Basel III compliant lower tier II subordinated bonds aggregating to ₹ 300 crore.

Important changes which have occurred after the close of Financial Year

After the close of Financial Year, 1,30,990 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, 2021 is ₹ 3,992,567,476 divided into ₹ 1,996,283,738 equity shares of ₹ 2/- each. The shares are actively traded on NSE and BSE and have not been suspended from trading.

DIVIDEND

Continuing the Bank's policy of striking a fine balance between retained earnings and dividend distribution, the Board of Directors have recommended a dividend of 35% i.e. ₹ 0.70 per Equity Share on face value of ₹ 2/- each for the year 2020-21 (previous year: Nil) subject to the approval of the members in the ensuing Annual General Meeting. Protecting shareholders' value has always been a guiding philosophy of the Bank.

CREDIT RATING

The details of Credit Ratings of your Bank as on March 31, 2021 are as follows;

- CRISIL A1+ (Reaffirmed) for the Certificate of Deposit Programme of the Bank
- CRISIL A1+ (Reaffirmed) for the Short Term Fixed Deposits of the Bank
- CARE AA (Stable) (Reaffirmed) [Double A, Outlook: Stable] for the Tier II bonds (Under Basel III)
- IND AA/Stable (Affirmed) by India Rating and Research for the Tier II bonds (Under Basel III)

During the year under review, there were no revisions in the credit ratings obtained by the Bank.

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

Directors' Report (Contd...)

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, 2021, 6,95,91,185 options had been exercised and 9,196,193 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, 3,05,24,986 options during the year 2019-20 and 1,68,84,159 options during the year 2020-21. The options granted which are non-transferable, with vesting period of 1 to 4.25 years subject to standard vesting conditions, must be exercised within five years from the date of vesting. As on March 31, 2021, 5,57,062 options had been exercised and 7,49,26,966 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

As per Sections 124 and 125 of the Act read with Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 ('IEPF Rules'), dividend, if not claimed for a consecutive period of 7 years from the date of transfer to Unpaid Dividend Account of the Company, are liable to be transferred to the Investor Education and Protection Fund ('IEPF'). The said requirement does not apply to shares in respect of which there is a specific Order of Court, Tribunal or Statutory Authority, restraining transfer of the shares.

As a result, the unclaimed/unpaid dividend for the year 2012-13 amounting to ₹ 95.44 lakhs which remained unpaid and unclaimed for a period of 7 years has been already transferred by your Bank to the IEPF.

Further, the unpaid dividend amount pertaining to the financial year 2013-14 will be transferred to IEPF during the Financial Year 2021-22.

Your Bank has uploaded the details of unclaimed/ unpaid dividend for the financial year 2013-14 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.

Transfer of Shares underlying Unpaid Dividend

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, 271586 equity shares of 180 members of your Bank were transferred to Demat Account of IEPF Authority. Your Bank had sent individual notice to all the aforesaid 180 members and has also published the notice in the leading English and Malayalam newspapers.

The details of the nodal officer appointed by the Bank under the provisions of IEPF are disseminated on the website of the Bank viz., <https://www.federalbank.co.in/unclaimed-dividend-warrants>.

DIRECTORS

As on March 31, 2021, Bank's Board consists of 11 members, with rich experience and specialized knowledge in various areas of relevance to the Bank, including banking, accountancy, MSME, finance, small scale industry, agriculture, strategic planning, risk management, information technology and Payment and Settlement Systems. Besides the Chairperson, a Non-Executive Non-Independent Woman Director, the Board comprises seven Non-Executive Independent Directors including one woman independent director and three Executive Directors.

During the year, Reserve Bank of India vide their letter dated July 16, 2020 had approved the re-appointment of Mr. Shyam Srinivasan as Managing Director & Chief Executive Officer (MD & CEO) (DIN: 02274773) of the Bank for a period of one year w.e.f. September 23, 2020 till September 22, 2021. Accordingly, approval of the shareholders for re-appointment of Mr. Shyam Srinivasan as MD & CEO of the Bank through ordinary resolution is being sought at the ensuing AGM of the Bank.

Pursuant to the recommendation of the Nomination, Remuneration, Ethics and Compensation Committee, the Board





Directors' Report (Contd...)

of Directors of the Bank approved the appointment of Ms. Varsha Purandare (DIN- 05288076) as an Additional Independent Director of the Bank, with effect from September 08, 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 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. Varsha Purandare 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 her 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 September 08, 2020.

The Nomination, Remuneration, Ethics and Compensation Committee at its meeting held on June 09, 2021 after taking into account the performance evaluation of Mr. A P Hota during his first term of three years and considering the knowledge, acumen, expertise and experience in respective fields and the substantial contribution made by him during his tenure as Independent Director since his appointment, has recommended to the Board that continued association of him as Independent Director would be in the interest of the Bank. Based on the above, the Nomination, Remuneration, Ethics and Compensation Committee and the Board has recommended the re-appointment of Mr. A P Hota as Independent Director on the Board of the Bank, to hold office for the second term commencing from date of 90th Annual General Meeting upto January 14, 2026 and not liable to retire by rotation. Accordingly, approval of the shareholders for re-appointment of Mr. A P Hota through Special Resolution is being sought at the ensuing AGM of the Bank.

Mr. Ashutosh Khajuria (DIN: 05154975) was re-appointed as Executive Director of the Bank for a period of one year with effect from w.e.f. April 01, 2021 till April 30, 2022 with the approval of Reserve Bank of India. Accordingly, approval of the shareholders for re-appointment of Mr. Ashutosh Khajuria as Executive Director of the Bank, 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, Ms. Shalini Warriar, Executive Director (DIN: 08257526), being longest in office, shall retire at the ensuing AGM and being eligible, offers herself for re-appointment. The Board recommends her re-appointment.

Mr. Sudarshan Sen (DIN: 03570051) was appointed as Additional Non- Executive Independent Director on the Board of the Bank

effective from February 11, 2020. The Shareholders in the 89th AGM held on July 16, 2020 had approved the appointment of Mr. Sudarshan Sen as Independent Director of the Bank for a term of five (5) consecutive years with effect from the date of his appointment by the Board. Further, the Shareholders of the Bank at the 89th AGM approved the appointment of Ms. Grace Koshie (DIN: 06765216), Part –Time Chairperson as Non–Executive, Non-Independent Director of the Bank with effect from July 17, 2020 to November 21, 2021 and also took on record the approval received from RBI for the appointment of Ms. Grace Koshie as Part-Time Chairperson of the Bank with effect from November 07, 2019 to November 21, 2021.

The Shareholders in the 89th AGM had also approved the re-appointment of Mr. Shyam Srinivasan (DIN: 02274773) as Managing Director & Chief Executive Officer of the Bank, for a period of one year with effect from September 23, 2019 to September 22, 2020 and Mr. Ashutosh Khajuria as an Executive Director of the Bank designated as Executive Director and Chief Financial Officer of the Bank for the period from January 28, 2020 to March 31, 2021. Further, the Shareholders of the Bank at the 89th AGM approved the appointment of Ms. Shalini Warriar as Executive Director of the Bank, for a period of three (3) years with effect from January 15, 2020.

Ms. Shubhalakshmi Panse (DIN- 02599310) Independent Director of the Bank, retired from the Directorship of the Bank effective from July 17, 2020, upon completion of two terms as Independent Director, 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 09, 2021.

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

As on March 31, 2021, the following Directors/Executive continued as Key Managerial Personnel of the Bank:

Mr. Shyam Srinivasan – Managing Director & Chief Executive Officer

Mr. Ashutosh Khajuria – Executive Director & Chief Financial Officer

Directors' Report (Contd...)

Ms. Shalini Warriar – Executive Director & Chief Operating Officer
Mr. Samir P Rajdev – Company Secretary & Vice President

During the year Mr. Shyam Srinivasan, MD & CEO of the Bank who is Key Managerial Personnel was reappointed as MD & CEO of the Bank for a period of one year w.e.f. September 23, 2020 till September 22, 2021

After the end of the financial year and up to the date of the Report.

Mr. Ashutosh Khajuria (DIN: 05154975), Executive Director of the Bank, who is also a Key Managerial Personnel was re-appointed as Executive Director of the Bank for a period of one year with effect from April 01, 2021 till April 30, 2022 with the approval of Reserve Bank of India.

The Board of Directors of the Bank at its meeting held on May 17, 2021, approved the appointment of Mr. Venkatraman Venkateswaran as Chief Financial Officer and Key Managerial Personnel of the Bank with effect from Tuesday, May 18, 2021. Mr. Ashutosh Khajuria, Executive Director, who was also the CFO, after the transition, made responsible for Treasury, Credit & Collections, Strategic initiatives and establish the ESG journey of the Bank.

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. In terms of the Companies (Creation and Maintenance of databank of Independent Directors) Rules, 2019 read with the Companies (Appointment and Qualification of Directors) Fifth Amendment Rules, 2019, the Independent Directors of the Bank has enrolled his/ her name in the online databank of Independent Directors maintained by the Government.

The Independent 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 fulfil 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 fifteen (15) Board Meetings. Twelve (12) 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 detailed in the Corporate Governance report.

SUBSIDIARIES OF THE BANK

As on March 31, 2021, 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.

As on March 31, 2021, FedServ's Board of Directors has following four members-

Mr. C Balagopal , Chairman
Ms. Shalini Warriar, Non- Executive Director
Mr. Ajith Kumar K K, Non- Executive Director
Mr. Johnson K Jose, Whole-time Director

During the year ended on March 31, 2021, FedServ has taken significant operational activities of the Bank which includes Call Centre Operations. FedServ is carrying out 87 operational activities of the Bank as on March 31, 2021. Company does not deal in loans and advances, neither it accepts deposits. FedServ is





Directors' Report (Contd...)

operating from two locations:- Kochi in Kerala and Visakhapatnam in Andhra Pradesh.

The total revenue of FedServ for the year ended on March 31, 2021 was ₹ 26.38 Crores. The full revenue pertains to services provided by the Company entirely to the Bank. The Company had a net profit of ₹ 1.84 Crores for the year ended on March 31, 2021. The Net worth of FedServ at the beginning of the year was ₹ 10.98 Crores and closing net worth of FedServ as on March 31, 2021 was ₹ 12.82 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, 2021 increased to ₹ 1.84 Crores from ₹ 1.27 Crores for the year ended March 31, 2020. The total assets of the Company increased to ₹ 14.96 Crores as on March 31, 2021 from ₹ 13.69 Crores as on March 31, 2020.

Fedbank Financial Services Limited

Fedbank Financial Services Limited (Fedfina) is a subsidiary company of The Federal Bank Limited (the Bank) incorporated on April 17, 1995. Fedfina received approval from RBI on August 24, 2010 for commencing its operations. It is a 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 359 branches across India providing multiple loan products to various segments of borrowers.

Fedfina's Board of Directors comprises following six members.

Mr. K Balakrishnan – Chairman & Independent Director
 Mr. Anil Kothuri – Managing Director & Chief Executive Officer
 Mr. Shyam Srinivasan – Non Executive Director
 Ms. Gauri Rushabh Shah – Independent Director
 Mr. Maninder Singh Juneja – Nominee Director
 Mr. Ashutosh Khajuria – Nominee Director

The total revenue of Fedfina for the year ended on March 31, 2021 is ₹ 696.41 Crores as against ₹ 471.27 Crores for the year ended March 31, 2020. Revenue grew by 48% on the back of growth of 23% in loan book during the year. The net profit of the Company grew by 48% to ₹ 58.60 Crores for the year ended March 31, 2021 as against ₹ 39.54 Crores for the year ended March 31, 2020. The Net worth of Fedfina at the beginning of the year was

₹ 694.04 Crores and closing Net worth of Fedfina as on March 31, 2021 was ₹ 832.08 Crores. During the year, Bank has invested in equity shares of Company amounting to ₹ 58.61 Crores.

The total loan portfolio of Fedfina as on March 31, 2021 was ₹ 4,491.75 Crores as against ₹ 3,650.75 Crores as on March 31, 2020. The total assets of the Company increased to ₹ 5,409.89 Crores as on March 31, 2021 from ₹ 4,035.10 Crores as on March 31, 2020.

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, 2021, the Bank has two Associate Companies named M/s. Ageas Federal Life Insurance Company Limited (Formerly known as IDBI Federal Life Insurance Co Ltd.) 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 Ageas Federal Life Insurance Company Limited (erstwhile IDBI Federal 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 Ageas Federal Life Insurance Company Limited during the period ended March 31, 2021 was ₹ 1,958.64 Crores. The Company has declared & paid final dividend of 13% for the FY 2020-21.

Mr. Shyam Srinivasan, Managing Director and Chief Executive Officer and Ms. Shalini Warriar, Executive Director of the Bank are Non-Executive Directors in Ageas Federal Life Insurance Company Limited.

Investment Banking Associate

As of March 31, 2021, 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 Insurance Broking Private Limited and Equirus Wealth Private Limited. Total turnover of Equirus Capital Private

Directors' Report (Contd...)

Limited on a consolidated basis was ₹ 65.42 Crores in FY 2021 against ₹ 45.06 Crores for FY 2020.

Mr. Harsh Dugar, Group President & 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 <https://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, 2021 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.

The CSR Policy as recommended by the CSR Committee and as approved by the Board is available on the website of the Bank and can be accessed at <https://www.federalbank.co.in/corporate-social-responsibility>.

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

The Bank is very conscious about the need for energy management and as a team endeavour to contribute to low carbon economy and acknowledges that it is a continuous process. The Bank is introducing energy-efficient systems and leveraging technology to boost energy efficiency in Bank's operations. For more details of various initiatives undertaken by the Bank for energy conservation at its premises, please refer ESG section of the Annual Report and 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.

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

RISK MANAGEMENT

The Bank's Risk Management framework is based on a clear understanding of various risks, robust risk assessment and measurement procedures and constant monitoring. The Board of Directors oversees all the risks assumed by the Bank. Specific Committees are constituted to facilitate focused oversight of various functions. 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. The Risk Management Committee of the Board reviews risk management Policies of the Bank pertaining to credit, market, liquidity, operational and business continuity management. The Committee reviews the Risk Appetite framework, Internal Capital Adequacy Assessment Process (ICAAP) and Stress





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testing. The Committee oversees setting up of limits on any sector or country, implementation of Basel III guidelines and the activities of the executive level risk management committees. The Committee assesses the level and direction of major risks pertaining to credit, market, liquidity, operational, reputation, technology, information security, compliance and capital as a part of the risk dashboard. In addition, the Committee oversees risks of subsidiaries covered under the Group Risk Management Framework. In addition, a Compliance Risk Assurance Cell (CRAC) is functioning in the Department, which is established with the aim to ensure total compliance with the regulatory and internal guidelines as well.

The Risk Management Policies approved by the Board of Directors and reviewed from time to time with updated regulatory and internal guidelines form the governing framework for each type of risk.

The 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. MIU unit formed with the purpose of monitoring large value accounts is linked to 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, Information and Cyber Security measures and Information Technology Risk form part of Operational Risk Management. All the three divisions are independent of business operations and coordinate with representatives of the business units to implement the Bank's risk management Policies and frameworks. 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 coordinated by a Senior Executive designated as Chief Risk Officer who reports directly to the Managing Director & CEO. 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

The Bank has a robust mechanism for fraud risk management and the meticulously drafted Fraud Risk Management Policy elucidates the numerous mitigation measures and the surveillance mechanism that complements prevention, detection, investigation and monitoring of both, internal and external frauds. Vigilance Department plays a dynamic role in all the activities related to fraud and it also shoulders the responsibility in sensitizing public as well as employees at all levels, on trending modus operandi of frauds, as part of the pre-emptive strategy. With a view to create an atmosphere of vigil and alertness, Vigilance Department issues Vigilance Communications (Alerts) to all employees on regular basis that disseminates various modus operandi of frauds in the banking industry and also suggesting safeguards and precautions to be adopted to prevent such frauds. Preventive Vigilance Workshops are conducted every year to sensitise and equip the field level staff to prevent frauds and at selected branches preventive Vigilance Audits are also conducted. Further, Fraud Prevention Committee at the branches conducts meetings periodically with a view to spread awareness among the employees on potential fraudulent activities and to keep them alert. Customer awareness on fraudulent activities is another area that is well covered by the Bank through various effective communication channels including SMS, E-Mails, posters at Branches, ribbon messages on Bank website, internet banking webpage, etc. All cases of frauds reported in the Bank are investigated in detail as part of detective vigilance activity. Lacunae, if any observed during the course of investigation are plugged and cases where process refinements are warranted, are presented before relevant forums for corrective measures/necessary directions.

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 RBI directions 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. A dedicated e-mail ID is provided for sending complains/disclosures under PDS. 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

Directors' Report (Contd...)

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 Bank's website and Intranet. Website link to Bank's Whistle Blower Policy is <https://www.federalbank.co.in/our-commitments>

SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS OR TRIBUNALS IMPACTING THE GOING CONCERN STATUS OF THE COMPANY AND ITS FUTURE OPERATIONS

During the financial year 2020-21, 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

The Shareholders in the 89th AGM held on July 16, 2020 approved the appointment M/s. Varma & Varma, Chartered Accountants (Registration No. 004532S), Kochi for a period of four (4) years together with M/s. Borkar & Muzumdar, Chartered Accountants (Registration No. 101569W), Mumbai for a period of three (3) years as Joint Statutory Central Auditors of the Bank from the conclusion of 89th AGM till the conclusion of 93rd and 92nd AGM respectively.

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 for their first year.

RBI vide circular dated DoS.CO.ARG/SEC.01/08.91.001/2021-22 dated April 27, 2021 brought in "Guidelines for Appointment of Statutory Central Auditors (SCAs)/Statutory Auditors". As per Para 8.1 of the said circular, in order to protect the independence of the auditors/audit firms, entities will have to appoint the SCAs/SAs for a continuous period of three years, subject to the firms satisfying the eligibility norms each year.

To comply with the requirements of the aforesaid RBI Circular dated April 27, 2021, the period of appointment of one of the Joint Statutory Central Auditors of the Bank, M/s Varma and Varma, Kochi needs to be reduced from four years to three years. The Board of the Bank at its meeting dated June 11, 2021 recommended to the shareholders of the Bank the revision in the tenure of appointment of M/s. Varma and Varma, one of the Joint Statutory Central Auditors of the Bank, as three years

with effect from FY 2020-21. Accordingly the revision of tenure of M/s. Varma and Varma, one of the Joint Statutory Central Auditors of the Bank, is placed for the shareholders' approval in the ensuing AGM.

Pursuant to the amendment made to Section 139 of the Companies Act, 2013 by the Companies (Amendment) Act, 2017, effective from May 07, 2018, the requirement of seeking ratification of the members for the appointment / re-appointment of the Statutory Auditors has been withdrawn from the Statute. Hence, the resolution seeking ratification of the members for re-appointment at the ensuing AGM is not being sought for the reappointment of M/s. Borkar & Muzumdar, Chartered Accountants as one of the Joint Statutory Central Auditors of the Bank.

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 (COP: 21874), Partner of SEP & Associates, Company Secretaries, Kochi as Secretarial Auditor to conduct Secretarial Audit of the Bank for the FY 2020-21. Accordingly, the Secretarial Audit Report for FY 2020-21 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 Regulation 24A of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with SEBI Circular No. CIR/CFD/CMD1/27/2019 dated February 08, 2019, the Bank has obtained Secretarial Compliance Report, certified by CS Puzhankara Sivakumar (COP: 2210), SEP & Associates, Company Secretaries, Kochi for Financial Year ended March 31, 2021, 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.





Directors' Report (Contd...)

ANNUAL RETURN

The Annual Return for the Financial Year ended March 31, 2021 as required under Section 92 and Section 134 of the Companies Act, 2013 read with Rule 12 of the Companies (Management and Administration) Rules, 2014 is available on the Bank's website, <https://www.federalbank.co.in/shareholder-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 M/s. Fedbank Financial Services Limited and M/s. Federal Operations and Services Limited and Associates, M/s. Ageas Federal Life Insurance Company Limited (Formerly known as IDBI Federal Life Insurance Co Ltd.) and M/s. Equirus Capital Private Limited, which is forming part of this Annual report. The financial position and performance of its subsidiaries & Associates are 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 Subsidiary Companies 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, 2021 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

Corporate Governance has been an integral part of the way your Bank has been doing business since inception. The Bank believe that good Corporate Governance emerges from the application of the best and sound management practices and compliance with the laws coupled with adherence to the highest standards of transparency and business ethics.

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.

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 fulfil 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)

The 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:

No. of complaints received for the year FY-2020-21	1
No. of complaints disposed of during FY -2020-21	1
No. of cases pending for more than 90 days	Nil
No. of workshops/ awareness program against sexual harassment carried out	2
Nature of action taken by the employer/ District Officer	Appropriate action taken

Directors' Report (Contd...)

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 III**. 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 who directly reports to the Managing Director & CEO of the Bank. 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; supports the attainment of strategic objectives & also ensures compliance of applicable law/s and good corporate practices.





Directors' Report (Contd...)

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 regulatory requirements for appointment of at least one Woman Independent 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. The Bank shall ensure to include in its Board need based representation of skills such as marketing, risk management, strategic planning, treasury operations, credit recovery, information technology, payment & settlement systems, human resources and business management. 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 should ensure that Board members with requisite skill sets, as prescribed by regulations are there in the Board of the Bank.
2. The Board to have at least One Woman Independent Director in its composition.
3. The directors should be able to devote sufficient time and attention to the discharge of their duties to the Bank.

4. 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 are disclosed on the website of the Bank and a web link thereto is: <https://www.federalbank.co.in/our-commitments>.

Directors' Report (Contd...)

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 2020-21, Non-Executive Director/ Independent Directors of the Bank are paid sitting fees for attending Board/ Committees meetings and reimbursement of expenses for participation in Board/Committee meetings and in addition, profit linked commission for FY 2019-20 was also paid during the year. Non- Executive Part Time Chairman was paid remuneration in addition to sitting fees 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 Material Risk Takers (MRTs)

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

The fixed compensation is determined based on the relevant factors such as industry standards, the exposure, skill sets, talent and qualification attained by the official over his/her career span and adherence to statutory requirements. All the fixed items of

compensation, including the perquisites, will be treated as part of fixed pay. Perquisites that are reimbursable would also be included in the fixed pay so long as there are monetary ceilings on these reimbursements. Contributions towards superannuation/retiral benefits will also be treated as part of fixed pay. (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)

The variable compensation for Whole Time Directors, Managing Director & Chief Executive Officer and Material Risk Takers is fixed based on organizational performance (both business-unit and firm-wide) and KPAs set for the official. The organization's performance is charted based on 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. The Score Card provides a mix of Financial and Non-Financial, Quantitative and Qualitative Metrics. The variable pay is paid in the form of share-linked instruments, or a mix of cash and share-linked instruments. 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.

Risk, Control and Compliance Staff

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

Other categories of Staff

The compensation package applicable to Executives in Level IV to VII 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 and above with effect from May 01, 2017 which consists of both fixed and variable compensation. The Compensation Package of Executives under Non Grander Compensation Package comprises of fixed compensation (determined based on the relevant factors such as industry standards, the exposure, skill sets, talent and qualification attained by the official over his/her career span)





Directors' Report (Contd...)

and variable compensation (comprising of cash, share-linked instruments, or a mix of both cash and share-linked instruments).

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

Limit on Variable Pay and Deferred compensation

Managing Director & CEO, Whole Time Directors and Material Risk Takers (MRTs): In order to have a proper balance between fixed pay and variable pay, at least 50% of the total compensation would be variable. Deferral arrangements would invariably exist for the variable pay, regardless of the quantum of pay. For such executives of the bank, a minimum of 60% of the total variable pay must invariably be under deferral arrangements. Further, if cash component is part of variable pay, at least 50% of the cash bonus would also be deferred. However, in cases where the cash component of variable pay is under ₹ 25 lakh, deferral requirements would not be necessary. The deferral period would be minimum of three years.

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

Other categories of Staff: The variable pay would be in the form of cash, share-linked instruments, or a mix of both cash and share-linked instruments. The total variable pay will be limited to a maximum of 300% of the fixed pay (for the relative performance measurement period). Deferral arrangements would invariably exist for the variable pay, if the Variable Pay exceeds 200% of the fixed pay. In such cases a minimum of 60% of the total variable pay must invariably be under deferral arrangements. Further, if cash component is part of variable pay, at least 50% of the cash bonus would also be deferred. However, in cases where the cash component of variable pay is under ₹ 25 lakh, deferral requirements would not be necessary.

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) is not 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. Compliance arrangements are in place to ensure that employees do not insure or hedge their compensation structure.

Malus / Claw back arrangement

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

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

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

Directors' Report (Contd...)

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

- 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 analyse 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.

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.

1. Performance Evaluation of Independent Directors including Non-Executive Director

Criteria for evaluation include:

- a. Attendance at the Board and Committee meetings
- b. Study of agenda 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 Committees of the Board in which they are Chairpersons or Members
- e. Exercises his skills and diligence with due and reasonable care and brings an independent judgement to the Board
- f. Knowledge and Competency: i) How the person fares across different competencies as identified for effective functioning of the entity and the Board ii) Whether the person has sufficient understanding and knowledge of the entity and the sector in which it operates
- g. The Director remains abreast of developments affecting the company and external environment in which it operates independent of his being apprised at meetings
- h. Whether person is independent from the entity and the other directors and there are no conflict of interest
- i. Whether the person demonstrates highest level of integrity (including conflict of interest disclosures, maintenance of confidentiality, etc.

2. Performance Evaluation of Chairperson

Criteria for evaluation include:

- a. Works effectively with the Board as a whole
- b. Ability to elicit inputs from all Board Members and steer the discussions to a logical conclusion
- c. Works with the Board and directs the management for creating an effective process for long-range or strategic planning for the Company





Directors' Report (Contd...)

- d. Whether the Chairperson displays efficient leadership, is open-minded, decisive, courteous, displays professionalism, able to coordinate the discussion, etc. and is overall able to steer the meeting effectively
- e. Whether the Chairperson is able to keep shareholders' interest in mind during discussions and decisions
- f. Whether the Chairperson is impartial in conducting discussions, seeking views and dealing with dissent, etc
- g. Handling of critical situations concerning the Bank
- h. Thinks strategically to promote growth, improve financial performance and gain competitive advantage.
- i. Understands financial planning, budgeting and management of the organization's investments and overall organization financial perspective.

3. Performance Evaluation of Non-Independent Directors (MD & CEO and Executive Directors)

Criteria for Evaluation include:

Quantitative Targets:

- a. Achievements of performance against targets set

Qualitative Targets:

- a. Apprises 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 pursues the performance goals in relation to mission and objective of the organization
- f. Motivating employees, providing assistance & directions and supervising & safeguard of confidential information
- g. Establishment of internal control processes, monitoring policies and encouraging suggestions
- h. Cultivates effective Relationship with Industry Foras, Community and business leaders and Regulatory Bodies and Public Officials
- i. Ensures compliance with all legal and regulatory requirements

- j. Undertaking of various Developmental initiatives within the organisation
- k. Compliance with ethical standards & code of conduct and exercising duties diligently

4. Performance Evaluation of Board and Committees

Criteria for Evaluation of Board include:

- a. The 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
- b. 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
- c. 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
- d. The Board oversees risk management through inputs from the Risk Management Committee
- e. The Board considers the quality and appropriateness of financial reporting, including the transparency of disclosures
- f. The Board ensures compliance with the relevant provisions of the Companies Act and other regulatory provisions as applicable to the Bank
- g. The Board oversees the compliance processes
- h. 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.
- i. The Board ensures compliance with the relevant provisions of the Companies Act and other regulatory provisions as applicable to the Company.
- j. The Board has defined an effective Code of Conduct for the Board and Senior Management.
- k. 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.

Directors' Report (Contd...)

Criteria for Evaluation of Committees include

- a. The Committee Terms of Reference and composition continue to be appropriate
- b. The mandate, composition and working procedures of Committees of the Board of Directors is clearly defined and disclosed
- c. Committee meetings are organized properly in number, timing and location
- d. The Committee is effective in carrying out its mandate
- e. The Committee members receive adequate material in advance of Committee meetings, in sufficient time and detail to permit members to effectively consider issues to be dealt with
- f. The Committee allocates the right amount of time for its work
- g. Whether the Committee has fulfilled its functions as assigned by the Board and laws as may be applicable
- h. Whether adequate independence of the Committee is ensured from the Board
- i. Whether the Committee's recommendations contribute effectively to decisions of the Board

5. 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 comprise 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. Besides the Chairman, an Independent Director, the Committee comprises one Independent Director and two Executive Directors. 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 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





Directors' Report (Contd...)

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

More details on digital initiatives of the Bank are available in the Management Discussion and Analysis Report, forming part of this Annual Report.

PARTICULARS OF EMPLOYEES

In terms of Section 136 of the Companies Act, 2013, the copy of the financial statements of the Bank, including the consolidated financial statements, the Auditor's Report and relevant annexures to the said financial statements and reports are being sent to the Members and other persons entitled thereto, excluding the information in respect of the employees of the Bank containing the particulars as specified in Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014. The statement containing particulars of employees as required under Section 197(12) of the Act read with Rule 5 (2) of the said Rules 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 IV**.

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, 2021, 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, 2021 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 2020-21. Technology and digital have taken centre stage and your Bank continues to focus on innovation with customer convenience. The awards are a testimony to the Bank's commitment on the digital front with various initiatives which brought in acclaim from various stakeholders.

Your Bank's MD & CEO, Shyam Srinivasan, was conferred with the title '**Business Standard Banker of the year**'. Through his able leadership, your Bank has transitioned into an organisation that regularly punches above its weight.

Your Bank has been declared winner in the '**Private Sector Bank of the Year**' Gold category at the 20th edition of Outlook Money Awards.

Your Bank emerged winner of **Business Today – KPMG Best Bank award** in the category "Indian Bank with balance sheet above ₹ 1 Trillion and below ₹ 3 Trillion" for the year 2019-20.

On the HR front, your Bank has been recognized as a 'Great Place to Work' in a study conducted by the **Great Place to Work®** Institute. Great Place to Work® Institute works with companies around the world to build a High-Trust, High-Performance Culture that drives better business performance.

Your Bank was declared winner among medium sized banks for the **Most Innovative Project** and runner up in the categories '**Best IT & Cyber Security Initiatives**' and '**Best Technology Bank of the Year**' by Indian Banks' Association at its National Technology Awards.

Your Bank was recognized **winner** at Infosys Finacle Client Innovation Awards program, in the category "**Customer Journey Reimagination**" and was recognized runner up in the category "**Product Innovation**".

Directors' Report (Contd...)

Your Bank won 'SKOCH Award' for Silver Category in BFSI in recognition of the versatility and excellence of FedMobile App. The Bank was adjudged by State Forum of Bankers Clubs, Kerala as the 'Best Bank Among Old Private Sector Banks of the Country.'

Your Bank won the prestigious 'Finnoviti Award 2021' instituted by Banking Frontiers for the Artificial Intelligence based Digital Leading Platform by creating new benchmarks in the entire BFSI & Financial ecosystem.

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 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/-

Grace Koshie

(DIN-06765216)

Chairperson of the Board

Date: June 16, 2021

Place: Aluva





Annexure to Directors' Report

ANNEXURE-I

Annual Report on Corporate Social Responsibility Activities

[Pursuant to Companies (Corporate Social Responsibility Policy) Rules, 2014]

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.

Corporate Social responsibility (CSR) has always been a key component of the operating philosophy of The Federal Bank Limited (hereinafter referred to as "the Bank"), as evidenced by the activities of the public charitable trust "Federal Bank Hormis Memorial Foundation", set up by the Bank in 1996, in the fond memory of its Founder, Shri. K.P.Hormis.

The Bank has a Corporate Social Responsibility (CSR) Policy which is approved by the Board of Directors of the Bank, as mandated by Companies Act, 2013. The Policy elucidates in detail on the CSR Vision, the Committee and the CSR projects & activities of the Bank through the focus areas as notified under Section 135 of the Companies Act 2013 read with Companies (Corporate Social Responsibility Policy) Rules 2014 and objectives of the Federal Bank Hormis Memorial Foundation as mentioned in the trust deed. The "Federal Bank Hormis Memorial Foundation" is the principal arm in implementing various CSR programs / projects of the Bank.

The projects undertaken are within the broad framework of Schedule VII of the Companies Act, 2013. Details of the CSR policy and projects or programs undertaken by the Bank are available on links given below:

<https://www.federalbank.co.in/documents/10180/45777/Corporate+Social+Responsibility++Policy.pdf/2d979fe6-8723-4210-a2ff-136784690413?t=1619168140250>

<https://www.federalbank.co.in/corporate-social-responsibility>

2. Composition of the CSR Committee

The constitution of CSR Committee is as follows:

Sr. No.	Name of Director	Designation / Nature of Directorship	Number of meetings of CSR Committee held during the year	Number of meetings of CSR Committee attended during the year
1	Mr. K Balakrishnan (Chairman)	Independent Director	3	3
2	Mr. A P Hota	Independent Director	3	3
3	Mr. Shyam Srinivasan	Managing Director & Chief Executive Officer	3	3
4	Mr. Ashutosh Khajuria	Executive Director	3	3
5	Ms. Shalini Warriar	Executive Director	3	3

3. Provide the web-link where composition of CSR committee, CSR Policy and CSR projects approved by the Board are disclosed on the website of the company

Composition of the CSR committee shared above and is disclosed in the Policy on Corporate Social Responsibility 2020-21. The web-link to access the CSR committee, CSR Policy and CSR projects is given below.

CSR Policy: <https://www.federalbank.co.in/documents/10180/45777/Corporate+Social+Responsibility++Policy.pdf/2d979fe6-8723-4210-a2ff-136784690413?t=1619168140250>

CSR Projects: <https://www.federalbank.co.in/corporate-social-responsibility>

4. Provide the details of Impact assessment of CSR projects carried out in pursuance of sub rule (3) of rule 8 of the Companies (Corporate Social Responsibility Policy) Rules, 2014, if applicable (attach Report)

There are no projects undertaken or completed after January 22, 2021, for which the impact assessment report is applicable in FY 2021.

Annexure to Directors' Report (Contd...)

5. Details of amount available for set off in pursuance of sub rule(3) of rule 7 of the Companies (Corporate Social Responsibility Policy) Rules 2014 and amount required for set off for the financial year, if any

Sr. No.	Financial Year	Amount available for set off from preceding financial years (in ₹)	Amount required to be setoff for the financial year, if any (in ₹)
	-	Nil	Nil

6. Average Net profit of the Company for the last three financial years

Financial Year	Profit Before Tax (₹ in Lakhs)
2017-18	134386.00
2018-19	190725.00
2019-20	203253.00
Average net profit of the Company as per Section 135(5)	176121.00
CSR Allocation (2% of average net profit of the Bank)	3522.42

7. (a) Two percent of average net profit of the company as per section 135(5) - ₹ 3522.42 lakhs
 (b) Surplus arising out of the CSR projects or programmes or activities of the previous financial year - Nil
 (c) Amount required to be set off for the financial year, if any - Nil
 (d) Total CSR obligation for the financial year (7a+7b+7c) = ₹ 3522.42 Lakhs

8. a. CSR amount spent or unspent for the financial year

Total Amount Spent for the Financial Year (in ₹)	Amount Unspent (in ₹)				
	Total Amount transferred to Unspent CSR Account as per section 135(6)		Amount transferred to any fund specified under Schedule VII as per second proviso to section 135(5)		
	Amount	Date of transfer	Name of the Fund	Amount	Date of transfer
35,22,41,603	Nil	-	-	Nil	-

b. Details of CSR amount spent against on-going projects for the financial year

1	2	3	4	5	6	7	8	9	10	11
Sr. No.	Name of the Project	Item from the list of activities in Schedule VII to the Act	Local area (Yes/No)	Location of the project State District	Project duration	Amount allocated for the project (in ₹)	Amount spent in the current financial Year (in ₹)	Amount transferred to Unspent CSR Account for the project as per Section 135(6) (in ₹)	Mode of Implementation - Direct (Yes/No)	Mode of Implementation - Through Implementing Agency Name CSR Registration number
-	Nil									NA





Annexure to Directors' Report (Contd...)

c. Details of CSR amount spent against other than on-going projects for the financial year

(1)	(2)	(3)	(4)	(5)		(6)	(7)	(8)	
Sr. No.	CSR project or activity identified	Sector in which the project is covered	Local area (Yes/No)	Location of the project		Amount spent for the project (in ₹)	Mode of implementation-Direct (Yes/No)	Mode of implementation-Through Implementing Agency	
				State	District			Name	CSR Registration Number
1	Federal Skill Academy	(ii)	Yes	Kerala Tamil Nadu Maharashtra Haryana	Ernakulam Coimbatore Kolhapur Karnal	1,39,32,722	No	Federal Bank Hormis Memorial Foundation	FHMF-Registration in progress
2	Swayam Shakthi	(ii)	Yes	Haryana	Panchkula (nearest Branch Kalka)	3,61,419	No	Federal Bank Hormis Memorial Foundation	FHMF-Registration in progress
3	Education Support to Various organizations/ Schools	(ii)	Yes	Kerala	Ernakulam	10,99,102	Yes	NA	-
4	Education Support to various schools/ organizations	(ii)	Yes		Pan India	27,02,270	Yes	NA	-
5	Scholarships	(ii)	Yes	Kerala , Tamil Nadu, Maharashtra, Gujarat	Students belonging to different Districts in the States – TamilNadu, Kerala, Maharashtra, Gujarat	1,41,83,329	No	Federal Bank Hormis Memorial Foundation	FHMF-Registration in progress -
6	Support to Sree Chithra Tirunal Institute for Medical Sciences & Technology	(i)	Yes	Kerala	Trivandrum	18,59,000	No	Federal Bank Hormis Memorial Foundation	FHMF-Registration in progress
7	Support to Sansad Mobile Swasthya Seva	(i)	Yes	Himachal Pradesh	Hamirpur	176,40,000	No	Federal Bank Hormis Memorial Foundation	FHMF-Registration in progress
8	Support to We care Centre Kanjirappally	(ii)	Yes	Kerala	Kottayam	9,75,860	No	Federal Bank Hormis Memorial Foundation	FHMF-Registration in progress

Annexure to Directors' Report (Contd...)

(1)	(2)	(3)	(4)	(5)		(6)	(7)	(8)	
Sr. No.	CSR project or activity identified	Sector in which the project is covered	Local area (Yes/No)	Location of the project		Amount spent for the project (in ₹)	Mode of implementation-Direct (Yes/No)	Mode of implementation-Through Implementing Agency	
				State	District			Name	CSR Registration Number
9	Support to St Antonys Special School	(ii)	Yes	Kerala	Ernakulam	10,00,000	No	Federal Bank Hormis Memorial Foundation	FHMF-Registration in progress
10	Support to Kerala Blind School Society	(ii)	Yes	Kerala	Ernakulam	5,80,000	No	Federal Bank Hormis Memorial Foundation	FHMF-Registration in progress
11	Support to St Gregorious Hospital	(i)	Yes	Kerala	Pathanamthitta	15,00,000	No	Federal Bank Hormis Memorial Foundation	FHMF-Registration in progress
12	Support to CMC Ludhiana	(i)	Yes	Punjab	Ludhiana	5,00,000	No	Federal Bank Hormis Memorial Foundation	FHMF-Registration in progress
13	Support to KEM Hospital, Pune	(i)	Yes	Maharashtra	Pune	15,96,000	No	Federal Bank Hormis Memorial Foundation	FHMF-Registration in progress
14	Support to Holy Family Hospital, Mumbai	(i)	Yes	Maharashtra	Mumbai	8,40,000	No	Federal Bank Hormis Memorial Foundation	FHMF-Registration in progress
15	Support to Bangalore Baptist Hospital	(ii)	Yes	Karnataka	Bangalore	7,60,000	No	Federal Bank Hormis Memorial Foundation	FHMF-Registration in progress
16	Support to Medical Trust Hospital, Mundakkayam	(i)	Yes	Kerala	Idukki	6,00,000	Yes	NA	-
17	Support to various healthcare activities	(i)&(ii)	Yes	Pan India		43,10,127	Yes	NA	-
18	Support to Thangamanassu Thittam	(iii)	Yes	Tamil Nadu	Tuticorin	9,90,000	Direct	NA	-





Annexure to Directors' Report (Contd...)

(1)	(2)	(3)	(4)	(5)		(6)	(7)	(8)	
Sr. No.	CSR project or activity identified	Sector in which the project is covered	Local area (Yes/No)	Location of the project		Amount spent for the project (in ₹)	Mode of implementation-Direct (Yes/No)	Mode of implementation-Through Implementing Agency	
				State	District			Name	CSR Registration Number
19	Support to SOS Childrens Village	(iii)	Yes	Kerala	Ernakulam	1,77,300	Direct	NA	-
20	Support to Good Karma Foundation	(ii)	Yes	Kerala	Ernakulam	1,00,000	Direct	NA	-
21	Support to Community Development Society, Mookkannur,	(ii)	Yes	Kerala	Ernakulam	5,74,000	Yes	Federal Bank Hormis Memorial Foundation	FHMF-Registration in progress
22	Support to Sree Gokulam Kerala Football Club-Womens Wing	(iii)	Yes	Kerala	Kozhikode	9,00,000	No	Federal Bank Hormis Memorial Foundation	FHMF-Registration in progress
23	Other Livelihood Enhancement projects/ Support to Senior Citizens	(iii)	Yes		Pan India	28,08,789	Yes	NA	-
24	Support to the Greater Chennai Corporation	(iv)	Yes	Tamil Nadu	Chennai	18,00,000	Yes	NA	-
25	Support to DRDA, Dharmapuri	(iv)	Yes	Tamil Nadu	Dharmapuri	4,20,000	Yes	NA	-
26	Support to Tirunelveli Municipality	(iv)	Yes	Tamil Nadu	Tirunelveli	5,18,000	Yes	NA	-
27	Support to TVM Municipal Corporation	(iv)	Yes	Kerala	Trivandrum	18,96,673	No	Federal Bank Hormis Memorial Foundation	FHMF-Registration in progress
28	Other projects Environmental sustainability, swatch bhara	(iv)	Yes		Pan India	9,15,416	Yes	NA	-

Annexure to Directors' Report (Contd...)

(1)	(2)	(3)	(4)	(5)		(6)	(7)	(8)	
Sr. No.	CSR project or activity identified	Sector in which the project is covered	Local area (Yes/No)	Location of the project		Amount spent for the project (in ₹)	Mode of implementation-Direct (Yes/No)	Mode of implementation-Through Implementing Agency	
				State	District			Name	CSR Registration Number
29	Support to Guruvayur Sports Academy	(vii)	Yes	Kerala	Thrissur	5,00,000	No	Federal Bank Hormis Memorial Foundation	FHMF-Registration in progress
30	Support to Kovalam FC	(vii)	Yes	Kerala	Trivandrum	22,00,000	No	Federal Bank Hormis Memorial Foundation	FHMF-Registration in progress
31	Support to Uliyannur Kunjunnikkara Premier League	(vii)	Yes	Kerala	Ernakulam	40,000	Yes	NA	-
30	Support to Asst Director, Pappireddipatti	(x)	Yes	Tamil Nadu	Dharmapuri	10,500	Direct	NA	-
31	Covid Initiatives Support to IIT, Palakkad	(xii)	Yes	Kerala	Palakkad	34,56,025	No	Federal Bank Hormis Memorial Foundation	FHMF-Registration in progress
32	Covid 19-Support to CMC, Vellore	(xii)	Yes	Tamil Nadu	Vellore	10,00,000	No	Federal Bank Hormis Memorial Foundation	FHMF-Registration in progress
33	Covid Warden initiative	(xii)	Yes	Kerala	All Districts	9,08,99,386	No	Federal Bank Hormis Memorial Foundation	FHMF-Registration in progress
34	Covid 19 Community Kitchen initiatives –EKM	(xii)	Yes	Kerala	Ernakulam	16,00,000	No	Federal Bank Hormis Memorial Foundation	FHMF-Registration in progress
35	Covid 19 Community Kitchen initiatives –NDL	(xii)	yes	New Delhi	New Delhi	6,87,500	No	Federal Bank Hormis Memorial Foundation	FHMF-Registration in progress
36	Covid 19- Food packets& Grocery	(xii)	Yes		Pan India	49,25,293	Direct	NA	-





Annexure to Directors' Report (Contd...)

(1)	(2)	(3)	(4)	(5)		(6)	(7)	(8)	
Sr. No.	CSR project or activity identified	Sector in which the project is covered	Local area (Yes/No)	Location of the project		Amount spent for the project (in ₹)	Mode of implementation-Direct (Yes/No)	Mode of implementation-Through Implementing Agency	
				State	District			Name	CSR Registration Number
37	Covid 19- Protection Gears to Covid warriors	(xii)	Yes	Pan India		13,95,136	Direct	NA	-
38	Covid 19- Rapid Test kits	(xii)	Yes	Maharashtra	Pune	6,72,000	No	Federal Bank Hormis Memorial Foundation	FHMF- Registration in progress
39	Covid 19- Rapid Test Kits	(xii)	Yes	Kerala	Kannur	6,72,000	No	Federal Bank Hormis Memorial Foundation	FHMF- Registration in progress
40	Covid 19- Support to NHM	(xii)	Yes	Kerala	Ernakulam	17,02,128	No	Federal Bank Hormis Memorial Foundation	FHMF- Registration in progress
41	Covid 19- Transporting migrant workers	(xii)	Yes	Tamil Nadu	Chennai	5,35,220	No	Federal Bank Hormis Memorial Foundation	FHMF- Registration in progress
42	Covid 19- Covid Containment Activities	(xii)	Yes	All Kerala		7,05,055	Yes	NA	-
43	Covid 19- Containment Activities	(xii)	Yes	Pan India		7,08,551	Yes	NA	-
44	Covid 19- vaccine Carriers- NHM	(xii)	Yes	All Kerala		92,04,000	No	Federal Bank Hormis Memorial Foundation	FHMF- Registration in progress
45	Covid 19 Vaccination Awareness Campaign Sanjeevani	(xii)	Yes	Pan India		15,35,18,000	No	Network 18	-
46	Covid 19- vaccination Drive	(xii)	Yes	Pan India		12,80,000	Yes	NA	-
TOTAL				35,12,49,801					

Annexure to Directors' Report (Contd...)

- d. Amount spent in Administrative Overheads - ₹ 9,91,802/-
- e. Amount spent on impact assessment, if applicable NIL
- f. Total amount spent for the financial year ₹ 35,22,41,603/-
- g. **Excess amount for set off, if any**

Sr. No.	Particular	Amount in ₹
(i)	Two percent of average net profit of the company as per section 135(5)	35,22,42,346.00 (3522.42 Lakhs)
(ii)	Total amount spent for the Financial Year	35,22,41,603.00 (3522.42 lakhs)
(iii)	Excess amount spent for the financial year [(ii)-(i)]	Nil
(iv)	Surplus arising out of the CSR projects or programmes or activities of the previous financial years, if any	Nil
(v)	Amount available for set off in succeeding financial years [(iii)-(iv)]	Nil

9. **a. Details of Unspent CSR amount for the preceding three financial years**

Sr. No.	Preceding Financial Year	Amount transferred to Unspent CSR Account under section 135 (6) (in ₹)	Amount spent in the reporting Financial Year (in ₹)	Amount transferred to any fund specified under Schedule VII as per section 135(6), if any			Amount remaining to be spent in succeeding financial years. (in ₹)
				Name of the Fund	Amount (in ₹)	Date of transfer	
*Refer below note							

*Rs. 16.93 crores of unspent amounts pertaining to FY 2020, FY 2019 and FY 2018 is not transferred to Unspent CSR account under Section 135(6) or any fund specified under Schedule VII as per section 135(6) as it was not mandatory to transfer the funds at that time.

b. **Details of CSR amount spent in the financial year for on-going project of the preceding financial years**

1	2	3	4	5	6	7	8	9
Sr. No.	Project ID	Name of the project	Financial Year in which the project was commenced	Project duration	Total amount allocated for the project (in ₹)	Amount spent on the project in the reporting Financial Year (in ₹)	Cumulative amount spent at the end of reporting Financial Year. (in ₹)	Status of the project - Completed / Ongoing.
	Nil	NA						

10. **In case of creation or acquisition of capital asset, furnish the details relating to the asset so created or acquired through CSR spent in the financial year**

(asset-wise details)

- a. Date of creation or acquisition of the capital asset(s):None
- b. Amount of CSR spent for creation or acquisition of capital asset: Nil
- c. Details of the entity or public authority or beneficiary under whose name such capital asset is registered, their address etc.: Not Applicable
- d. Provide details of the capital asset(s) created or acquired (including complete address and location of the capital asset): Not Applicable

11. **Specified the reasons, if the company has failed to spend two percent of the average net profit as per section 135(5)**

Not Applicable

Sd/-

Shri. Shyam Srinivasan

(Managing Director & Chief Executive Officer)

Sd/-

Shri.K Balakrishnan

(Chairman CSR Committee)





Annexure to Directors' Report (Contd...)

ANNEXURE-II

FORM NO. MR-3
SECRETARIAL AUDIT REPORT
FOR THE FINANCIAL YEAR ENDED 31.03.2021

[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, 2021 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, 2021, 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 March 31, 2021, 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;

Annexure to Directors' Report (Contd...)

- (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 and Master Directions Issued by the RBI to Commercial Banks;
 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 read with The Security Interest (Enforcement) Rules, 2002;
 6. The Deposit Insurance and Credit Guarantee Corporation Act, 1961;
 7. Credit information Companies (Regulation) Act, 2005.
 8. Recovery of Debts due to Banks and Financial Institutions Act, 1993
 9. Negotiable Instruments Act, 2002
 10. The Micro, Small and Medium Enterprises Development Act, 2006
 11. Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013
 12. Payment of Gratuity Act, 1972 read with Rules made thereunder
 13. Maternity Benefit Act, 1961
 14. Payment of Bonus Act, 1965 read with Rules made thereunder
 15. The Factoring Regulation Act, 2011
 16. Industrial Disputes Act, 1947 read with Industrial Disputes (Banking and Insurance Companies) Act, 1949

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





Annexure to Directors' Report (Contd...)

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 dissenting views, if any, were captured and recorded as part of the minutes.

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;
- 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**
Company Secretaries
(ICSI Unique Code: P2019KE075600)

UDIN: F010085C000471876

CS EP Madhusudhanan
Partner
COP No. 21874, FCS: F10085
Place: Kochi
Date: June 16, 2021

Annexure to Directors' Report (Contd...)

ANNEXURE TO THE SECRETARIAL AUDIT REPORT OF EVEN DATE

To
The Members
The Federal Bank Limited
Federal Towers, P B No. 103
Alwaye, Ernakulam KL-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 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, 2021 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**
Company Secretaries
(ICSI Unique Code: P2019KE075600)

UDIN: F010085C000471876

CS EP Madhusudhanan
Partner
COP No. 21874, FCS: F10085
Place: Kochi
Date: June 16, 2021





Annexure to Directors' Report (Contd...)

ANNEXURE-III

DIVIDEND DISTRIBUTION POLICY

I. OBJECTIVE:

Regulation 43A of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter called "SEBI LODR") issued by the Securities and Exchange Board of India (SEBI) has mandated the formulation of a Dividend Distribution Policy for the top 500 listed entities based on their market capitalization.

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, 2020 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'.]

Annexure to Directors' Report (Contd...)

- 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 parameter 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.





Annexure to Directors' Report (Contd...)

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 to Directors' Report (Contd...)

ANNEXURE-IV

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 the remuneration of each director to the median remuneration of the employees of the Company for the financial year	Shyam Srinivasan, MD & CEO – 24.82 Ashutosh Khajuria, ED & CFO – 12.52 Shalini Warriar, ED – 11.67
2	The percentage increase in remuneration of each director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the financial year	Shyam Srinivasan, MD & CEO - 1.99% Shalini Warriar, ED - 2.28% Samir Pravinbhai Rajdev, CS – 8.76%
3	The percentage increase in the median remuneration of employees in the financial year	16.72%
4	The number of permanent employees on the rolls of Company	12592 (As on March 31, 2021)
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	The average percentage increase made in the Salary of total employees for the financial year is around 16.72%, while the average increase in the remuneration of KMP's are as follows. Shyam Srinivasan, MD & CEO - 1.99% Shalini Warriar, ED - 2.28% Samir Pravinbhai Rajdev, CS – 8.76%
6	Affirmation that the remuneration is as per the remuneration policy of the company	Yes, it is confirmed.

RBI vide letter DoR.Appt.No 87/08.38.001/2020-21 dated July 16, 2020 approved the revised compensation in respect of Mr. Shyam Srinivasan, MD & CEO for the period from September 23, 2020 to September 22, 2021. However, MD & CEO has relinquished the revised benefits till December 31, 2020 on account of current stressful environment of the pandemic and the revised compensation was paid to him from January 01, 2021 only.

Note: All confirmed employees as on March 31, 2021 have been considered.





Management Discussion and Analysis

GLOBAL ECONOMIC SCENARIO

We have crossed one year since the pronouncement of COVID-19 as a global pandemic. It not only produced a distinctive recession in 2020 but also resulted in terrible loss of lives and livelihoods. Countries across the world braved a multifaceted crisis which included health shock, disruption of the domestic economy, capital flow reversals, collapse of commodity prices and slump in foreign demand. The contact-intensive services sectors were hit disproportionately hard, causing uneven distribution of losses.

As per the estimates of United Nations Department of Economic and Social Affairs, the world output shrank by 4.3% in 2020. This is over three times the impact witnessed during the global financial crisis of 2008-09. With an estimated output decline of 5.6%, the pandemic hit the developed economies the hardest, owing to the strict and prolonged lockdown measures that were imposed during the outbreak in many of the European countries and some parts of the United States. The contraction was milder in the developing countries compared to the developed countries, with output shrinking by 2.5%. The least developed countries saw their GDP contract by 1.3% in 2020.

The pandemic also resulted in severe employment crisis worldwide. As per the International Labour Organisation, full or partial lockdown measures had affected almost 2.7 billion workers by April 2020, representing about 81% of the global workforce. In spite of some improvement later in the year, unemployment rates in most countries still remained well above the pre-crisis levels. Job and income losses pushed an estimated 131 million additional people into poverty in 2020. The fast pace of digitalization, automation and robotization, further reduced labour demand in the medium term. While productivity is expected to experience some growth in economic sectors embracing automation, the average productivity growth is likely to falter. This coupled with declining investments in fixed capital and lower labour force participation rates are expected to weigh on potential output going forward.

The COVID-19 crisis has resulted in a significant shock to trade, restricting cross-border travel, disrupting international production networks and impacting demand worldwide. As per UN reports, global trade in goods and services contracted by an estimated 7.6% in 2020. Global merchandise trade has however been recovering since mid 2020 on the back of strong demand for electric and electronic equipment, pharmaceuticals and, especially, personal protective equipment. Massive stimulus measures amounting to USD 12.7 trillion prevented a total collapse of the world economy. However, stark differences in the size of the stimulus packages between developed and developing countries have put them

on different trajectories of recovery. The stimulus spending per capita by the developed countries has been nearly 580 times higher than that of the least developed countries, whereas the average per capita income of the developed countries is only 30 times higher than that of the least developed countries. The fiscal measures have been complemented by unprecedented monetary rejoinders. 92 Central Banks have cut policy rates, a total of 241 times from March 2020 to February 2021. Many central banks implemented additional monetary and prudential measures to boost liquidity and ensure financial stability. A number of monetary authorities also announced changes in their monetary policy frameworks to enhance policy flexibility and improve monetary transmission.

Of all the alphabetical letters used to describe the path of recovery, the K-shape stands out. It signifies the crucial feature of this crisis: the burden borne by less-skilled workers, youth, women, small businesses and lower-income countries. It also signifies how high-income earners and large companies have benefitted the most from the massive rally in equity markets, fuelled by the unprecedented monetary policy accommodation. All this has polarised economies worldwide and has left wider scope for growth in the future.

Even with high uncertainty about the path of the pandemic, a way out of this is increasingly visible. Thanks to the inventiveness of the scientific community, multiple vaccines that can reduce the severity and frequency of infections are now available. In parallel, adaptation to pandemic life has enabled the global economy to do well despite passive overall mobility, leading to a stronger-than-anticipated rebound, on average, across regions.

As per many global research firms, there remains high albeit moderating uncertainty about the evolution of the COVID-19 pandemic and its economic effects. Vaccine production is ramping up and rollouts are gathering pace around the world. Widespread immunization is the sole way to re-establish the normalcy of social and economic activities.

IMF is projecting a stronger recovery in 2021 and 2022 for the global economy compared to their previous forecast, with growth projected to be 6% in 2021 and 4.4% in 2022. Nonetheless, the outlook presents daunting challenges related to divergences in the speed of recovery, both across and within countries as well as the potential for persistent economic damage from the crisis.

INDIAN SCENARIO

The year 2020 started on a weak note as India's GDP growth rate hit a six-year low in 2019 and then gradually decelerated

Management Discussion and Analysis (Contd...)

further. The challenges in the domestic financial sector and other global headwinds were key contributors to it. Despite this, the fundamentals of Indian economy remained strong and GDP growth was expected to rebound from the first quarter of 2020-21. To revive demand and boost economic growth, the Union Budget for FY 2020-21 tried to take a calibrated path. The Budget's economic strategy was designed with the underlying assumption that the Indian economy appears to have bottomed out and is expected to pick up in 2020-21. It is at this moment that the COVID-19 pandemic struck the nation. As India went into a nationwide lockdown to control the pandemic, Government announced the initial set of measures to limit the damage. By the end of April 2020, it was clear that without immediate additional assistance from the government, the Indian economy could be looking at widespread financial ruin. Eventually, on May 12, 2020, the Hon'ble Prime Minister of India announced the Atmanirbhar Bharat Abhiyan package, with special focus on the MSME sector.

The economy registered a record contraction of 24.4% in Q1-FY21 and recovered marginally with a negative growth of 7.3% in Q2- FY21. The retrieval in Q2 demonstrates the resilience of the Indian Economy, albeit partially. Since the unlocking, there was a renewal in the economic activity, though the pace and extent of the same has been wavering. Some parameters have been witnessing progressive, albeit gradual advances, while for some segments, the improvements have been dropping steam, which can be attributed to the easing of pent up demand and restocking of inventories. The signs of recovery further strengthened since November 2020 as a higher number of sectors saw normalized economic activities. The economy registered a GDP growth (YoY) of 0.4% in Q3 FY21, after recording negative growth in the previous two quarters. The positive growth during the third quarter of FY 2020-21 was indicative of slow resumption of economic activities, higher consumption and activity across sectors.

Looking ahead at CY 2021, various government and international institutions initially projected a sharp "V shaped recovery" for the Indian economy. The Economic Survey 2020-21 estimated a robust double-digit growth of 11% in FY 2021-22, albeit over a lower base, backed by revitalisation of consumption and investment demand amid a mega-vaccination drive. The International Monetary Fund (IMF) projected the economy to grow by 11.5% (further raising it to 12.5% later) and reclaim its status of the fastest growing economy. RBI estimated the economic growth at 10.5% (further revising to 9.5%) in FY 2021-22, supported by sustained improvement in financial resources and strong push provided by the Union Budget for revival of key sectors. Through the landmark union budget for FY 2021-22, the Government explicitly made on growth and

crucial expenditure was targeted towards capex and health. The Budget also supplemented its infrastructure focus plans with innovative financing tools, which included raising resources from monetization of government owned assets and providing a thrust to privatization. The Budget has been iced with some far-reaching reforms announced in terms of disinvestment.

Looking at the impact of the pandemic induced disruptions, various sectors in the Indian economy have been affected in diverse proportions and the recovery across them has been uneven. While we saw resilience in agriculture, technology and pharmaceuticals sectors and the recovery in manufacturing, auto, and power has been faster than expected, contact-intensive services sectors such as tourism, recreation, aviation, manufacturing and construction continue to grapple with the challenges of the pandemic. Economists now expect a 'K Shaped' recovery for India instead of a 'V Shaped Recovery', as estimated earlier. While the earlier growth rate forecasts were done based on the large string of fiscal and monetary support, the new surge in COVID-19 cases in the second wave have raised fears of renewed restriction, crippling the economy and once again making it solely reliant on domestic consumption.

One possible reason for the second surge in COVID-19 cases might be the optimism surrounding the availability of vaccines, which may have caused people to lower their guard, enabling the rapid spread of virus. The change in attitude towards the virus amongst the masses was also reflected through the sudden rise in mobility since mid January. Going forward, the steepness of the curve should sound as an alarm for people to limit their movements to prevent the virus from spreading. Irrespective of how and when the restrictions are imposed, whether they are voluntary or mandatory, they are expected to hamper the economic growth of India in the first half of FY 2021-22.

INDIAN BANKING INDUSTRY

Like any other sector, the disruption caused by COVID-19 and subsequent lockdowns in the country saw material pressure on multiple fronts in the banking sector. The uncertainty arising out of its direct impact on banks with consequent impact on debt servicing ability of borrowers and asset quality woes has adversely impacted the risk appetite of lenders, thereby impacting the credit uptick. During the critical phase of the pandemic, Indian Banks focused on maintaining adequate staff at the branches, deployed mobile ATMs and implemented door step banking for senior citizens to ensure the much-needed service to customers. Several Banks which had already made significant investments in technology and digital transformation were supporting the customer requirements through various digital innovations.





Management Discussion and Analysis (Contd...)

Government of India and Reserve Bank of India made many regulatory interventions to protect the health of Indian Financial System. This included providing relief to the Banks as well as borrowers by offering the option of availing moratorium on loan repayments, restructuring of loans, slashing the repo rates to record low and opening up special credit lines to encourage the banks to lend more, especially to the MSME segments. These steps gave critical and momentary relief to India's banking system.

The first half of this fiscal witnessed a contraction in bank credit owing to the pandemic which forced both borrowers and lenders to tread cautiously. Since lifting of lockdowns in the country, there was faster-than-expected uptick in economic activities, which was further supported by the pent-up demand, fuelled by the festive season. The bank credit growth stood at 5.6% YoY for the fortnight ended March 26, 2021 as compared with last year's level of 6.1%. The growth figures of the fortnight have the benefit of lower base of the previous year-end since the time denotes initial period of lockdown in the country.

Subdued growth was witnessed in Industrial credit with low single digit growth recorded since fiscal 2016 due to increasing asset quality issues. Industrial credit was up by ~7% majorly driven by lending to infrastructure in fiscal 2019. In fiscal 2020, the private capex was soft, thereby resulting in a growth rate of ~1% in industrial credit. The overall industry credit growth was further dragged down by the economic effects of the pandemic and muted demand, impacting various sectors including engineering, infrastructure and construction. Retail credit, which led the pack till fiscal 2020, registered weak growth in the first half of fiscal 2021. However it bounced back in the second half and is expected to grow further in fiscal 2022, as the economy picks up.

With the slowdown in economic growth, deposits grew at a moderate rate of ~8% in fiscal 2020. The pandemic influenced customers to start conserving their money and reduce their private consumption. This reflected in the Year-on-Year deposits growth range of 9.5%-12%, April 2020 onwards, despite the declining deposit rates. The FY 2020-21 saw the deposits growth crossing 10% and register 11.4% Year on Year growth (fortnight ended March 26, 2021). Moreover, the liquidity surplus in the banking system stood at Rs.3.8 Lakh Crore as on March 26, 2021 and the bank CD's reduced by over 70.0% on Y-o-Y basis on account of such surplus. Time deposits account for 87.7% of aggregate deposits (88.1% share as on March 27, 2020) and grew at a slower pace compared to the demand deposits, which accounted for the balance 12.3% (11.9% share as on March 27, 2020).

In FY 2021-22, given the growth in the economy and the base effect coming into play, bank credit is likely to increase. Based on the report of many research firms, a higher deposit growth is expected in the range of 9-11% in FY 2021-22 to support credit growth of 8-10% in the said period. However, a sub-normal monsoon and another surge in COVID-19 cases leading to localised or partial lockdowns in key states may impact the industrial as well as the service segments and pose downside risks to deposit and credit growth in FY 2021-22. Though, systemic support from RBI and the Government at various levels could give the much needed fillip for growth.

BUSINESS STRATEGY

During FY 2020-21, COVID-19 emerged as the black swan event of the century and had significant macro-economic impact. In this background, your Bank continued with the resolve to perform and demonstrated robust operating performance during the financial year, driven by the identified priorities.

With the onset of the pandemic, your Bank invoked business continuity plans and higher priority was accorded to ensure that customers were supported, while maintaining business continuity and reinforcing organisational fitness. Your Bank further initiated an analysis of the situation from different slants, with various stress testing for capital, liquidity and asset quality. Since the extent of the pandemic was still unknown, the strategy adopted for FY 2020-21 was to be nimble yet flexible to deal with the dynamic and ever-changing environment. The pandemic induced a shift in the business strategy of your Bank with focus on creating value through resilient growth. Sensing the change & reshaping business strategy along with it, the growth mantra of your Bank during this phase revolved around the core themes of Preserve, Conserve and Innovate.

The near term focus of your Bank was in creating flexible plans to deal with the dynamic environment. Analytics and decision engines were continuously used to identify potential risk areas. Relentless emphasis was given to digital migration and digitization of internal processes. Your Bank ensured continuous traction in relatively higher margin business. With the deposit franchise becoming stronger and granular, a tight vigil was kept on possible slippages and focus was placed to strengthen the balance sheet. Robust operating performance helped your Bank to increase the coverage ratios and set aside higher provisions for what could potentially need a higher requirement with the passage of time, should the environment continue to be fraught with risks. Despite many disruptions caused by the pandemic, your Bank continued to grow low-cost deposits as much as gold loan business. Business banking and retail segments, which are

Management Discussion and Analysis (Contd...)

heavily synchronized with and dependent on physical branches, have also started seeing good traction. On the digital end, it was a very special year for your Bank as we not only made significant progress in our digital journey and utilised the digital route to conduct our daily tasks but also made momentous internal strides. Therefore, from all aspects, your Bank made meaningful progress during the financial year and ticked all the right boxes through a strategic, well-thought approach.

Though the pandemic has altered our outlook on certain near term business strategies, your Bank’s commitment to pursue the credo of becoming the “FIRST CHOICE” Bank for all the stakeholders remains intact. It is not just confined to business growth, but spreads across the entire range of attributes that concerns a stakeholder, be it products, processes, value creation, compliance, controls or innovation. Your Bank commands a prominent leadership position in the Home Market (Kerala). The strategy remains to convert this commanding prominence to complete dominance. Going forward, your Bank will continue to

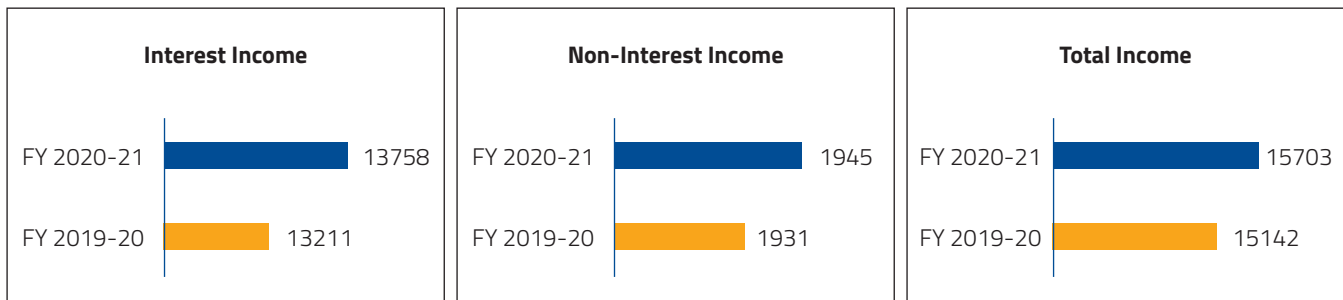
pursue initiatives, which will enhance the status from Presence to Prominence in ‘Rest of India’.

With stability and predictability in performance, best in class liability franchise, improved operating metrics, shift in credit mix towards granular retail, top tier asset quality and robust coverage ratios, your Bank believes that it has now earned the “Right to Grow”. With the right tools and a robust strategy, we aim to scale up to the next level of growth across all business segments, and eventually achieve the “Right to Win” in the next three to four years. The growth rates will be calibrated to the economic realities and emphasis will continue on sustained earnings during this period. As technology and digital take center stage, your Bank will continue to work towards ensuring customer convenience and be a front runner in launching various innovations with the objective to bring a positive influence in the way of doing business. Committed to compliance and ever-improving risk management practices, your Bank is fully poised for high-quality performance and growth.

OVERVIEW OF PERFORMANCE (STANDALONE)

Income

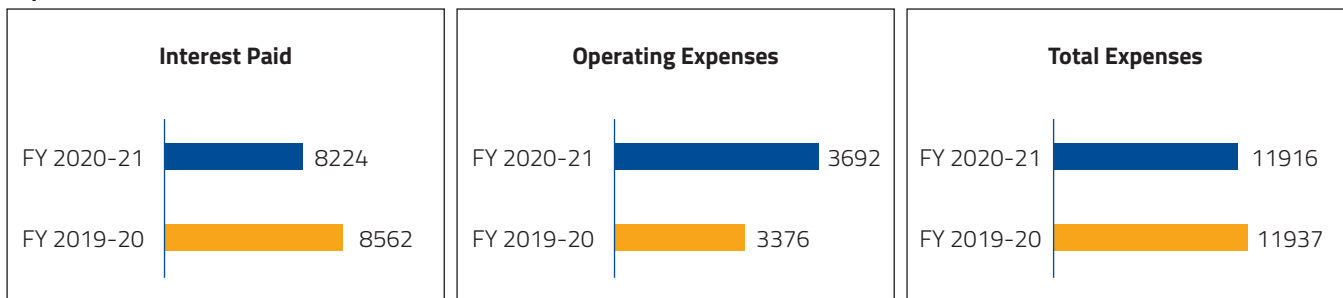
(₹ in Crore)



During the financial year, the yield on average advances (gross) stood at 8.75% and the yield on investments (excluding trading gain) stood at 6.57%. The interest/discount on advances/bills improved to ₹ 10,795 Crore (March 31, 2021) from ₹ 10,671 Crore (March 31, 2020), interest on investments improved to ₹ 2,349 Crore (March 31, 2021) from ₹ 2,184 Crore (March 31, 2020) and other interest including interest on balances with RBI / other interbank funds improved to ₹ 614 Crore (March 31, 2021) from ₹ 356 Crore (March 31, 2020). The share of interest income of your Bank to total income stood at 88%.

Expenditure

(₹ in Crore)





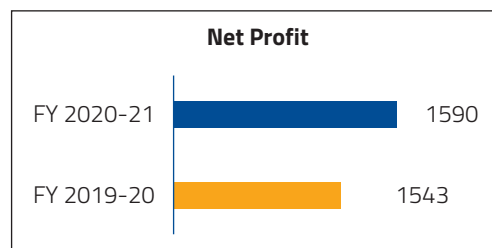
Management Discussion and Analysis (Contd...)

During the financial year, the average cost of deposits of your Bank dropped to 5.00% from 5.88% as on March 31, 2020. The interest paid on deposit stood at ₹ 7,805 Crore with YoY drop of 4% and other interest expenses stood at ₹ 420 Crore with a YoY drop of 9%. The staff opex increased by 15% and other operating expenses increased by 3% translating to 9% increase in operating expenses.

Operating Performance

(₹ in Crore)

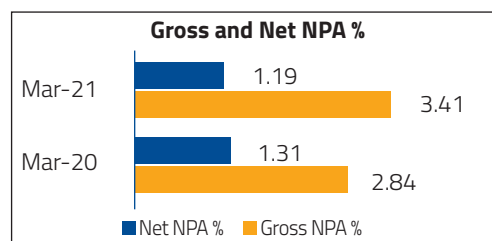
Particulars	March 31, 2021	March 31, 2020
Net Interest Income	5,534	4,649
Non-Interest Income	1,945	1,931
Net Total Income	7,479	6,580
Operating Expenses	3,692	3,376
Operating Profit	3,787	3,205



The net interest income of your Bank registered a robust 19% growth even with the net credit growth of 8%, enabled by the granular deposit franchise and the improvement of credit profile towards granular retail. During the financial year, your Bank's spread on advances (gross) improved to 3.75% and spread on investments (gross) improved to 3.28%. Even with the disruptions caused by the pandemic, operating profit rose by 18%. Net profit registered 3% growth even with 41% increase in provisions (to improve coverage) excluding tax.

Asset Quality Parameters

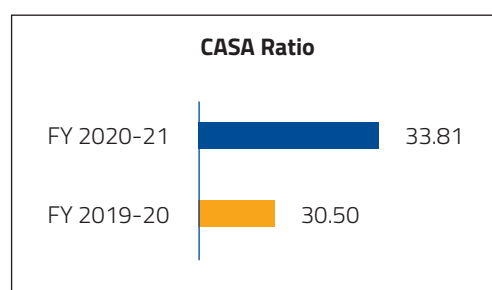
Particulars	March 31, 2021	March 31, 2020
GNPA (₹ in Crore)	4,602	3,531
NNPA (₹ in Crore)	1,569	1,607
Provision Coverage Ratio (%)	65.14	53.39
Provision Coverage Ratio (%) (Inc TWO)	77.65	72.48



Even with the high economic impact of the pandemic, Bank reported almost flattish slippages. The Gross NPA of your Bank as on March 31, 2021 stood at ₹ 4,602 Crore Gross NPA as a percentage to Gross Advances is at 3.41%. The Net NPA stood at ₹ 1,569 Crore and this as a percentage to Net Advances is at 1.19%. The Provision Coverage Ratio (including technical write-offs) stood at 77.65%, an improvement of 517 bps. Provisions (excl TWO) improved by 1175 bps to reach 65.14%.

Key Ratios

Particulars	March 31, 2021	March 31, 2020
Return on Average Total Assets	0.85	0.94
Return on Average Equity	10.38	11.10
Cost to Income Ratio	49.36	51.30
Net interest margin	3.16	3.05
Earnings per Share (EPS) ₹ (Annualised)	7.97	7.76
Book value per share (end period) ₹	80.77	72.86



Return on assets and return on equity slightly deteriorated during the year owing to the economic impact of pandemic and stood at 0.85% and 10.38% respectively. Earnings per share improved to ₹ 7.97 from ₹ 7.76, while book value per share increased to ₹ 80.77 from ₹ 72.86. CASA ratio improved by 331 bps supported by robust traction in savings book and current deposits. Various cost control initiatives of your Bank helped to bring down the cost to income ratio from 51.30% to 49.36%.

Management Discussion and Analysis (Contd...)

Balance Sheet parameters

(₹ in Crore)

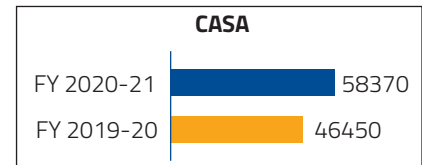
Particulars	March 31, 2021	March 31, 2020	% Change
Liabilities			
Capital	399	399	0.2
Reserves & surplus	15,724	14,119	11.4
Deposits	172,644	152,290	13.4
Borrowings	9,069	10,372	-12.6
Other Liabilities & provisions	3,531	3,458	2.1
Total	201,367	180,638	11.5
Assets			
Cash & balances with RBI	7,647	6,175	23.8
Balance with Banks & Money at call	11,944	6,400	86.6
Investments	37,186	35,893	3.6
Advances	131,879	122,268	7.9
Fixed Assets	491	480	2.3
Other Assets	12,220	9,423	29.7
Total	201,367	180,638	11.5

Total assets increased by 11.48% to ₹ 2,01,367 Crore as on March 31, 2021 from ₹ 1,80,638 Crore on March 31, 2020, driven by 7.86% growth in net advances, 86.64% increase in the balance with Banks and Money at call and 29.68% increase in other assets.

Deposits

(₹ in Crore)

Particulars	March 31, 2021	March 31, 2020	% Change
Customer Deposits	163,609	145,650	12
Certificates of Deposit	5,985	4,449	35
Interbank deposits	3,050	2,191	39
Total Deposits	172,644	152,290	13

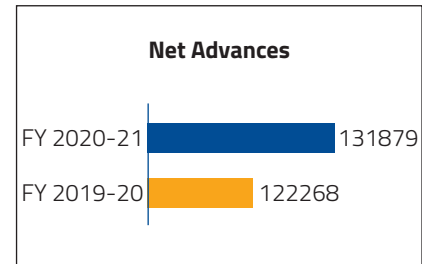


Deposits growth held up well for your Bank during FY 2020-21 with overall deposits increasing by 13% YoY. Retail deposits make up 90% of overall deposits and core deposits constitutes 98% of the total deposits. Retail deposits grew by 14% YoY and NR deposits, which constitute 39% of total deposit, grew by 12% YoY.

Advances

(₹ in Crore)

Particulars	March 31, 2021	March 31, 2020	% Change
Retail Advances	44,910	37,878	19
Business Banking	11,890	10,529	13
Agri Advances	16,076	13,051	23
Gold Loans	15,816	9,301	70
Commercial Banking	13,262	11,970	11
Corporate Banking	48,738	50,725	-4
Gross Advances	134,877	124,153	9



The overall advances stood at ₹ 1,34,877 Crore led by a broad based growth (except corporate loans). Retail loans remained one of the fastest growing segment at 19% YoY growth along with agri advances at 23% YoY. Gold loan growth was sharp at 70% YoY with the loan book crossing ₹ 15,000 Crore majorly driven by the branch network. Your Bank further reshaped the credit book; Retail to Wholesale Ratio improved to 54: 46 from 50:50 (March 2020).





Management Discussion and Analysis (Contd...)

Capital Management (₹ in Crore)

Particulars	March 31, 2021	March 31, 2020
Common Equity Tier-1 Capital	15,455	14,057
Additional Tier-1 Capital	0	0
Total Tier-1 Capital	15,455	14,057
Tier-2 Capital	868	1,118
Total Capital	16,323	15,175
Common Equity Tier-1 Ratio (%)	13.85	13.29
Total Tier-1 Capital Ratio (%)	13.85	13.29
Tier-2 Capital (%)	0.77	1.06
Total Capital Ratio (%)	14.62	14.35

Capital Adequacy Ratio and Tier – 1/ CET – 1 Ratio of your Bank computed as per Basel III guidelines for the financial year increased by 27 bps and 56 bps respectively. Increase in profit and growth in lower risk weighted assets helped in improving the CRAR. Capital Adequacy Ratio at 14.62% stood well above the regulatory minimum requirement of 10.875%, including a Capital Conservation buffer of 1.875%.

OPPORTUNITIES AND THREATS

The second wave of COVID-19 in the country has led to localised restrictions in various states. The financial institutions fear that any restrictions placed locally or across the country may hamper the economic progress and lead to economic losses which may further increase the loan defaults. Already hit by a big wave of loan defaults even before the pandemic, the Banks in the country cannot afford any more stress in the financial system. If there is a continued surge of COVID-19 cases in the country, it will either impact the growth rates of the Banks or impact the credit cost at varying degrees, based on the nature of the asset book and strength of the Balance Sheet. Going forward, the smaller players in the market may have higher risk of deteriorating credit cost while with an improving balance sheet and stable asset quality, your Bank will have the opportunity to gain further market share in select segments. A further resurgence of COVID-19 may see delayed economic recovery leading to lower ability to leverage and consume credit in the corporate segment, as the companies would restrict borrowings.

Business Overview

CORPORATE AND INSTITUTIONAL BANKING

Corporate and Institutional Banking division offers a comprehensive suite of banking products and services, both locally and overseas. It caters to Large Business Houses and Corporates, MNCs, Capital Market clients, PSUs and Financial

Institutions. 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 your Bank's clients. During FY 2020-21, this business moderated to closing total asset of ₹ 50,910 Crore. 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. Customer engagement under this division has been further strengthened through tailor made and differentiated solutions that caters to the client's banking requirements, enabling your Bank to be the preferred choice for multi-product relationship.

The distribution continues to expand through the Relationship Management structure at numerous locations and touch points, catering 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 all products are being 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 MSMEs. 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. Your 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 its wallet share of business with existing clients. During FY 2020-21, this business scaled up further with a closing advance position of ₹ 13,262 Crore as against ₹ 11,970 Crore in FY 2019-20. The business continues to have a diversified and granular portfolio in terms of sectors and geography. Your 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. Your Bank commenced this business in FY 2018-19 in the states of Tamil Nadu and Kerala in view of strong presence in these regions and during last two years, gradually expanded the reach to cover Southern and Western India.

Management Discussion and Analysis (Contd...)

During last year, your Bank further consolidated its teams in business acquisition, credit underwriting and collections. Despite industry challenges in the form of economic slowdown and COVID-19, the division grew by 58% to reach ₹ 912 Crore of advances with a good mix of new and used vehicles spread across different user groups in strategic client segments, while ensuring robust asset quality. Your Bank could on-board a large number of new clients with significant cross sell and fee income opportunities. It also signed MOUs with Commercial & vehicle OEMs like Tata Motor, Daimler India and Mahindra Truck & Buses to be a preferred financier for them.

GOVERNMENT BUSINESS

Government Business vertical focuses on providing end to end solution to the Government departments and entities. With an objective to further augment the liability book and tap the potentials of these Government departments and entities in building CASA and Term Deposits, your Bank started this Business in FY 2018-19. This vertical of your Bank is managed through Relationship Managers posted across numerous locations and touch points to canvass deposits from Central & State budgetary allocations and Local and State Government offices like Panchayats, Municipalities etc. Federal Bank offers bespoke CASA products exclusively designed to suit the needs of Government & related entities. The vertical actively engages with Government Departments to digitalize various operations for the Government functioning. Total deposits of this vertical grew by 17% on YoY basis.

BUSINESS BANKING

Business Banking, comprising of business loans up to ₹ 5 Crore, mainly to Micro, Small and Medium Enterprises. The segment registered a growth of 13%, disbursing 11,000+ loans (excluding GECL and FITL) during FY 2020-21, of which 22% loans were disbursed to New To Bank customers.

Business banking vertical focused on granular growth through neighbourhood banking and remained one of the high yielding portfolios of your Bank in FY 2020-21. While the business vertical is mainly driven through the traditional strong hold branch network, Relationship Managers posted at potential centers across the country contributed in bringing good quality fresh customers to our fold. The DSA arrangement for sourcing from unexplored markets was initiated in FY 2020-21, for which your Bank expects to reap results in FY 2021-22.

Your Bank actively participated in the implementation of COVID-19 relief measures announced by the Government and could disburse an amount of ₹ 1,128 Crore by way of ECLGS 1.0 and 2.0. Your Bank, by implementing directive from Ministry of Finance on classification of MSME based on Udyam certificate

through an automated system, could improve MSME loans by 19% in the SME books and despite de-classification of traders from MSME, its contribution of MSME to total PSL has improved.

The vertical conducted extensive market study in FY 2020-21, 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. Business banking vertical of your Bank is actively moving towards digitization through implementation and improvisation of various digital channels for quick loan sanctions.

RETAIL BANKING

During FY 2020-21, your Bank could register a growth of 26% in CASA amidst various ongoing issues like the pandemic, recession threats etc. The total deposits grew by 13%. Retail deposits constituted 90% of the total deposit.

The 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 the salary account of the employees of its commercial / institutional banking clients' in a meaningful way. To equip the younger generation with the facilities of contactless banking, your Bank has launched a new Scheme viz. FedFirst Account for Minors.

Your Bank is focusing on more tie-ups with FinTech partners via API and Open Banking programmes, paving the way for greater access to the millennial segment, with special thrust on salaried clients. Your Bank is now one among the seven leading banks in the country, empanelled by NSE Clearing Limited, for submitting Fixed Deposit Receipts (FDRs) issued as collateral to clearing members in electronic form (e-FDRs). Your Bank has also introduced Video KYC based account opening - Federal 24 7, thereby providing an easy, convenient, and contactless way to open accounts.

Your Bank could grow its portfolio size in the Corporate Salary segment to ₹ 1,687 Crore. Thrust was given to deepen relationships with existing clients of Corporate and Commercial Banking and thereby increase the Corporate Salary accounts from the available universe.

With the added focus on HNI segment, CASA share from HNI segment to Bank's total CASA improved to 45.25% in FY 2020-21 as compared to 40.72% in FY 2019-20. Number of HNI profiled customers has reached 2.45 Lakhs in FY 2020-21, registering a 25% Y-o-Y growth in client count.





Management Discussion and Analysis (Contd...)

The launch of a special segment, devoted to High Net worth Individuals, was a key feature of the year under review. The Celesta segment, designed to cater to the special needs of this segment, comes with a 'Celesta' Savings account (for both Residents and NRs). This account is clubbed with the premium "Celesta" debit card variant and offers a host of exclusive offerings like family banking program, customized wealth management services and personalized offers and benefits including concierge services, dual RM support etc. The scheme was launched in October 2020 and has gained much popularity within a short period, adding 6500+ customers. Total Savings Account portfolio of Celesta reached ₹ 1,925+ Crore.

The retail loan book of your Bank grew by 19% reaching ₹ 44,910 Crore, forming 33% 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 65%. During the year, the housing loan portfolio crossed ₹ 20,000 Crore, registering a growth of 10% and the auto loan portfolio grew by 12%, crossing ₹ 3,600 Crore in book size.

Your Bank had also introduced multiple digital capabilities which includes (a) e-NACH, a self-assisted journey for customers to register for a mandate that automates collection of EMI, (b) e-Sign, a digital signature process for document execution, (c) e-KYC through Aadhaar Based authentication process (d) online banking statement analysis, etc. All these capabilities are integrated in a new loan origination system for Auto Loans and have helped improve the delivery speed and productivity for the bank. Your Bank had also tied up with auto giants, M/s Maruti Suzuki India Ltd and M/s Hyundai India, to enhance its presence in the auto segment. During COVID-19, your Bank had also tightened the credit norms so as to ensure maintenance of quality of its Retail portfolio.

Your Bank's association with WMS (Wealth Management Services) partner M/s Equirus Wealth for FY 2020-21 witnessed significant boom in business, generating substantial growth in AUM (Assets under Management) and revenue. As part of the business outcome, your Bank has on boarded 5,000+ clients for WMS services in FY 2020-21, adding an incremental AUM of ₹ 800+ Crore and revenue of ₹ 4.70 Crore. Total AUM as on March 31, 2021 stands at ₹ 1,448 Crore. Your Bank is proud to report that while the Mutual Fund industry reported net negative sales for 8 months in the last FY, your Bank consistently registered a positive growth in sales during the same period, thereby gaining a considerable market share.

The Bank registered a business figure of ₹ 82 Crore in Para Banking Fee Income with the following initiatives/ outcomes:

- Bank entered into a strategic tie up with ICICI Securities to offer online trading services to customers
- Bagged 'IBA Most Innovative Product Award, FY 21' for Instant demat, where demat account can be opened in less 2 minutes
- Improved the penetration of 'Sovereign Gold Bond' with PAN India market share @ 1.11% through sale of 361 Kgs of Gold
- Insurance business has been the largest contributor to non-banking fee income totalling to ₹ 66.5 Crore. Your Bank partnered with Ageas Federal (Life Insurance JV), Max-Bupa, Bajaj-Allianz, HDFC-Ergo & TATA-AIG (non-life insurance) for insurance business and 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.
- Bank obtained Tele marketing licence from IRDA for insurance sales and is now LIVE with 3 insurance partners in Tele Sales (HDFC Ergo, IDBI Federal & Max Bupa)
- With the support and coordination of all the stakeholders, your Bank introduced 15 new products in the insurance space in the current financial year

Cards and Payment Solutions

Your Bank has become the 5th largest private sector bank in the country in terms of monthly debit spends. During March 2021, monthly debit spends of your Bank has reached an all-time high at ₹ 1,120 Crore. 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 enhancing your Bank's brand presence across leading e-commerce merchants but has also played a key role in increasing spends on debit cards. The number of customers using debit cards for spends on POS and E-Com has increased exponentially.

Your Bank expanded the Debit Card EMI (DC EMI) reach to leading e-com giants including Amazon and Flipkart. Affordability loans of more than ₹ 40 Crore have been disbursed during the FY through DC EMI, thus establishing consumer finance as a stable business

Management Discussion and Analysis (Contd...)

line contributing to a higher yield of the loan book. The capability is currently made available to the staff members of your Bank and will be launched to the customers soon.

Non- Resident Banking

NR franchise like yester years kept the Federal flag flying high through growth in portfolio, overseas presence, and digital efforts. FY 2020-21 was yet another stunning year for the NR portfolio of your Bank, despite the fact that the nation and whole world were impacted by the pandemic. The NR business of your Bank grew by 12% and NR CASA portfolio grew by 19%. Dominance in the remittance business with robust remittance engine and more than 110 remittance arrangements across the globe will synergize to further strengthen the NR franchise.

To reinforce the Relationship Model for NR business, your Bank has launched an exclusive video calling platform “Vmeet” where Relationship Managers can meet their customers in a virtual world and provide necessary assistance.

Personal Inward remittance business crossed the milestone figure of ₹ 1,00,000 Crore this FY and has registered 15% YoY growth as your Bank enjoyed close to 17.5% market share in this segment. Your Bank has commenced remittance tie up with new partners from three new geographies- MoneyGram USA, Orbit Remit New Zealand, Terra Pay UK, and is in the process of going live with 7 other remittance partners including two prominent Banks in UAE and Qatar. Your Bank has launched its outward remittance platform – ‘Fed e Remit’, which is an easy and convenient online outward remittance service offered to Resident Individuals and NRIs holding NRE accounts, to remit funds from India.

Given the opportunities and potential of NRI business segment, we expect it to continue serving as a key growth engine for your Bank in the coming years.

MICRO AND RURAL BANKING

Micro lending through Business Correspondents (BCs)

Reaching the unbanked to bring them under the financial umbrella has always been the priority of your Bank which is being effectively driven through its various financial inclusion programmes under Branch and Business Correspondent (BC) channel.

As permitted by RBI and in compliance with Bank’s Board approved policy on engaging Business Correspondents, your Bank has a network of three Business Correspondents across selected geographies, exclusively for sourcing and servicing of Micro lending portfolio.

In FY 2020-21, in midst of the pandemic, your Bank could on-board 13,921 new customers with a total business of around ₹ 54 Crore through these Business Correspondent tie-ups.

Financial Inclusion

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

Financial Literacy through Rural Branches and Financial Literacy Centers

Your Bank believes that business exists in the society and any business requires social sanction for its survival and growth. Thus, it is crucial for organisations to have a social commitment.

Financial literacy programmes intend to provide basic banking knowledge to people across various walks of life. The financial literacy classes are organised and conducted by our branches in rural areas to spread financial awareness amongst the masses. Currently 161 rural branches of your Bank are conducting financial literacy campaigns for general public and school children in these areas.

Federal Ashwas Financial Literacy Centers (FAFLCs) are your Bank’s initiative to provide free, unbiased, fair and coordinated financial education through financial literacy classes and credit counselling and have proved to serve as effective financial literacy and credit counselling centers in rural and semi urban areas. The centers aim to create awareness and educate the targeted segments including farmers, micro & small entrepreneurs, self-help groups, senior citizens and school children about products from various banks, thus benefitting the entire industry. Other than this, the FLCs also organise ‘Going Digital’ camps for the rural populace.

During the financial year ended March 31, 2021, due to COVID-19 pandemic and consequent lock downs, only a few physical literacy classes could be conducted by the FLCs. However, online classes/session on financial literacy were conducted, wherever possible. Block Level Bankers’ Committee (BLBC), District Level Review Committee (DLRC) and other meeting were also conducted by the lead bank through online Video Conference. Around 609 literacy camps (including 311 online sessions) and 332 counselling sessions (including Tele counselling) were undertaken by these centers during the FY 2020-21, benefitting more than 18,000 people.





Management Discussion and Analysis (Contd...)

Your Bank participated in the Financial Literacy Week (FLW) observed by RBI during February 08 to 12, 2021 across the country. The theme was “Developing Credit discipline and encourage availing credit from formal financial institutions as per requirement” and the focus was on the following topics, with a view to improve credit and reduce NPAs:

- Timely Repayment & Credit Score
- Borrowing from Formal Institutions only
- Responsible Borrowing

During the financial literacy week, your Bank conducted the following activities:

- Branches displayed posters on FLW theme at prominent places within the branch premises and distributed FLW leaflets to customers
- Displayed the FLW message on home page of your Bank’s website in English and Hindi
- Financial Literacy Centers (FLCs) of your Bank conducted special camps on each day of the FLW, while focusing on the key theme

Your Bank offers **Pradhan Mantri Jan Dhan Yojna (PMJDY)** accounts to the general public with an overdraft (OD) facility to eligible cases (mainly to weaker section & low income household groups), with OD facility of up to ₹ 10,000/- to eligible customers, with an objective to ensure access to financial services, namely savings & deposit accounts, remittance, credit, insurance, pension in an affordable manner. In FY 2019-20, Ministry of Finance, Government of India announced the continuation of Comprehensive Financial Inclusion Mission (Pradhan Mantri Jan Dhan Yojana – PMJDY) with change in focus of opening accounts from ‘every household’ to ‘every adult’. The main attraction of the scheme is zero-balance bank account with RuPay debit card and with free accidental insurance cover of Rs. 2 Lakhs. Till date, your Bank has opened more than 6.21 Lakhs accounts with an outstanding balance of ₹ 316.22 Crore. The average balance in PMJDY accounts as on March 31, 2021 is ₹ 5,094/- .

Aadhaar and mobile seeding in PMJDY accounts with your Bank is 83% and 96.5% respectively as on March 31, 2021.

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

general public for 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.

Your Bank could help 411 families of our deceased customers who joined the low cost insurance schemes (PMJJBY and PMSBY) by settling claims amounting to ₹ 821 Lakhs.

In July 2020, your Bank implemented **PM Street Vendor’s Atmanirbhar Nidhi (PM SVA Nidhi)** scheme, announced by Ministry of Housing and Urban Affairs, Govt. of India (MoHUA), to address the challenges faced by street vendors in the light of COVID-19 pandemic and consequent lockdown. The Scheme is available to all street vendors engaged in vending in urban areas as on or before March 24, 2020. The vendors from rural or peri-urban areas vending in the geographical limit of the Urban Local Bodies (ULBs) are eligible for an amount up to ₹ 10,000/- (without any collateral security) to be repaid in 12 months as EMI, wherein MoHUA will provide subsidy @ 7% per annum to the beneficiaries on prompt repayment of the loan.

Your Bank also participated in **Pradhan Mantri Garib Kalyan Yojana (PMGKY)** scheme, a special package to women PMJDY account holders, announced by Govt. of India in the light of COVID-19 pandemic. Beneficiaries under the scheme have been centrally credited an amount of Rs 500 each for the months of April- June, 2020. The amount was credited to the beneficiaries account immediately on receipt of the fund from Govt. of India. As advised by DFS, Ministry of Finance, your Bank also sent SMS communication to the beneficiary account holders in English and in local languages, before and after the credit of amount each month.

Your Bank has implemented **MUDRA – Shishu Interest Subvention** Scheme which provides a 2% Interest subsidy on prompt repayment of Shishu loans under Pradhan Mantri Mudra Yojana (PMMY) for a period of 12 months. PMMY was announced by the Ministry of Finance, Govt. of India to aid the micro enterprise business segment. SIDBI is the administrative agency for the program. The interest subvention amount received from SIDBI is credited to eligible PMMY Shishu loan accounts.

Your Bank has implemented **Chief Minister’s Helping Hand Loan Scheme (CMHLS)**, launched by Govt. of Kerala to self-help Neighbour Hood Groups of M/s Kudumbashree Mission and provides immediate financial support in view of COVID-19 outbreak, continued lock down and related hardships faced by people working in the unorganised sector.

Management Discussion and Analysis (Contd...)

Considering the widespread havoc caused by the pandemic, Government of India had announced the **Emergency Credit Line Guarantee Scheme** to revamp the MSMEs/Business Enterprises. The scheme provides 100% guarantee coverage by NCGTC (National Credit Guarantee Trustee Company Limited). Your Bank implemented the scheme and the benefits have also been extended to PMMY loan account holders. The Scheme is offered as a pre-approved program and the eligible borrowers were informed through central SMS/ email campaigns.

Your Bank has implemented the following process refinement/ improvements in FY 2020-21 for operational convenience:

- **Automation of PMMY Working Capital Limit Renewal:** As a part of process improvement, your Bank has introduced automation of renewal process of working capital limits under PMMY (MUDRA) scheme through BPM portal. The process is auto initiated in BPM Portal, one month prior to the expiry date of the loan, and is made available to the branches for a period of up to 90 days from the due date. The process enables branches to renew OD/CC limits of a borrower in a quicker and hassle free manner.
- **Implemented Inter-bank shifting of APY account:** Through this initiative, the Atal Pension Yojana subscribers can shift their APY account from one bank to another, without redemption of unit & reinvesting.
- **Upgrade or Downgrade of APY Pension amount throughout the year-** In order to provide flexibility, as per the direction from PFRDA, your Bank has implemented a facility which allows APY subscribers to upgrade or downgrade their APY pension amount throughout the year instead of restricting it to the month of April every year.

AGRI BANKING

Agriculture, with its allied sectors, is unquestionably the largest livelihood provider in India, more so in the vast rural areas, even during this pandemic. It continues to contribute 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 and serve as their perfect banking partner during difficult times. High-calibre workforce of Development Officers and Agri Relationship Managers are

deployed across the network to cater to farmer clients of various genres. Agricultural advances of your Bank has registered a remarkable growth of 23% in FY 2020-21 despite all odds and stood at ₹ 16,076 Crore as on March 31, 2021 against the base figure of ₹ 13,051 Crore. Your Bank is committed to remain a perfect partner and 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 is one of the major sectors that have registered impressive growth during the pandemic. Gold Loan advances registered a record growth of ₹ 6,515 Crore, 70 %, from the base figure of ₹ 9,301 Crore to ₹ 15,816 Crore in the FY 2020-21. Various new Gold Loan schemes like KCC gold were specifically offered to the customers to tide over difficult times. Tailor-made schemes such as Agricultural Gold Loans, Business Gold Loans, Overdraft Loans, EMI Gold Loans and Bullet Repayment Loans to suit the needs of various sections of the society were deployed. Your Bank also launched digitally-powered doorstep Gold Loan services in association with a Fintech company, to enhance the ease of availing such loans.

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 Treasury & Forex dealing room is located in Mumbai and your 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. Your Bank is also providing a web-based trading platform and intraday trading facilities to clients in the G-Sec segment. The front office activities are further being augmented by a robust Front Office System which efficiently captures all the front end dealings of the Bank. This ensures total automation of the treasury activities and its seamless integration with your Bank's core banking system.

FOREIGN EXCHANGE BUSINESS

Foreign Exchange Business of your Bank has taken a leap in the past 3 years and the entire business model has been revamped to focus on the distribution of Forex and Interest Rate products, oriented towards the hedging needs of the clients. The Treasury Sales Team, with its taskforce of 23 members spread across the





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country, is offering these hedging products to the Bank's clients. The team works closely with all the Relationship Managers of the Bank, covering the Large Corporate, SME and Retail segment of clients, for its Forex and Interest Rate product offerings. Seamless co-ordination between the Treasury Sales team spread across various centers and the team at the dealing room in Mumbai has resulted in enhanced distribution of these products to the customers. With the Derivatives Desk fully active this year, your 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 also helped the Bank in increasing the Forex business through its branches.

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

Your Bank has a dedicated Foreign Exchange Cell at Mumbai, catering to all the requirements of the clients / branches with respect to foreign exchange, trade finance, FDI/ODI/ECB and cross border transactions. The Bank has been giving thrust to the development of forex business and is continuously working to improve the operating skills of relevant personnel through meetings, interactions and training programmes. Your Bank is also on the forefront of conducting Foreign Exchange Dealers Association of India (FEDAI) training programmes for the banking fraternity. This enables the designated branches to improve their operating efficiency substantially. Further, your Bank periodically updates and codifies the RBI/ FEDAI instructions applicable for forex business in 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 on a daily basis on the Bank's website for the benefit of public. Your Bank is now a member of the Managing 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). The 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 Centers in all metro cities and other major centers to bring more efficiency in handling trade transactions. SWIFT operations are also centralized to ensure speed and reliability. 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 any 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., including various structured products are also extended by your Bank.

FEDERAL BANK – IFSC BANKING UNIT (IBU)

Your Bank opened its IFSC Banking Unit (IBU) at India's first International Financial Service Center (IFSC) located at GIFT City (Gandhinagar, Gujarat) in November 2015. IFSC in GIFT City is conceptualized and designed at par with other global financial centers 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 your Bank to explore International business opportunities. IBU is regulated by International Financial Services Centers Authority (IFSCA) with effect from October 01, 2020, who is the uniform regulator for all financial institutions, including Banks in the IFSC.

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

- Credit facilities to Wholly Owned Subsidiaries (WOS)/Joint Ventures (JV) of Indian companies registered abroad
- Credit facilities to overseas companies
- Retail Lending to Qualified Individuals
- 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

With the opening of IBU, your Bank caters to both domestic and international clients for their various funded and non-funded investment requirements at multiple jurisdictions. IBU boosts the balance sheet of your Bank by empowering it to extend various foreign currency loans to eligible entities as well as qualified

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Individuals across different foreign jurisdictions. Your Bank also participates and extends facility in foreign syndicated Loans to large corporates. It also extends facilities like External Commercial Borrowing (ECBs), Trade Credit facilities etc to resident entities. Federal Bank IBU has executed transactions in various segments like manufacturing, metals, media & entertainment, health care, electrical, food, construction, retail etc.

DIGITAL & TECHNOLOGY

Digital today has become a basic hygiene to be adopted by every industry in the world. A revolution in digital technology has been triggered by the spread of the pandemic, making it essential for survival in the changed socio-economic environment, forcing most industries to undergo a tremendous digital transformation.

Your Bank has always been a change leader in the industry. Products like FedBook and Selfie app to open accounts are testimony of your Bank's inclination towards digital innovation. Today, a prospective customer of your Bank can open a full-fledged account in less than 5 minutes, using the Video KYC services, facilitated by e-KYC services of UIDAI and the new regulations allowing the usage of Video calling service for completing customer due diligence. The technology enables them to open accounts as per their preferred scheme from the comfort of their office or any other Indian location.

With the pandemic came the need for social distancing in branches. Thus your Bank launched FedSwagat, an application that allows customers to book their appointments with their preferred branch at their preferred date and time. Along with this, your Bank also launched a video conferencing solution for Non-Resident customers, which helps them to connect with their Relationship Manager/Branch Manager face to face and remotely. This assisted many clients who were unable to come to India due to travel restrictions imposed under the lockdown.

Your Bank has always been a step ahead with respect to facilitating emergency services. Towards this end, it launched a solution that digitally enabled its customers to avail Guaranteed Emergency Credit Line (GECL) loans in less than 3 minutes.

Ensuring instant and effective customer service has also been a critical factor during the pandemic as several locations were locked down and the customer service centers ran on limited resources. Keeping the situation in view, your Bank launched an Artificial Intelligence (AI) based Personal Assistant 'Feddy' to provide suitable answers to customer queries. Feddy was made available to the customers through your Bank's Website, Whatsapp, Amazon Alexa & Google Assistant. Later, your Bank integrated Feddy in Google Business Messaging and became the

first Bank in India to do so. The development and deployment of Feddy is a farsighted step taken by your Bank, considering the importance that AI is gaining in the digital world.

Getting more number of customers activated across Digital Channels has been one of the key metrics of your Bank for the past 4 years and Mobile Banking was identified as one of the most important channel for achieving this mission. Considering the impact that can be created by the JAM trinity (Jandhan, Aadhaar and Mobile), your Bank has invested in enhancing the Mobile Banking platform and has launched a state of the art Mobile Banking application, an upgrade to FedMobile. This revamped version of FedMobile – Federal Bank's highly popular mobile banking application - comes with more user-friendly and advanced features than its predecessor, ensuring a richer and more pleasant experience for its users. Your Bank has combined Mobile Banking, FedBook and BHIM UPI into a single application, and along with that, added a host of new features and services to make it a one stop shop for all your banking needs. Enriched with new banking and payment features, this version of the app is a complete package, which enables users to access and manage their accounts from anywhere, anytime and enables them to undertake banking as well as non-banking transactions.

Bank as a new age digital platform

Over the year under review, your Bank continued to focus on empowering customers with digital products and services to ensure uninterrupted banking services. Starting with customer on-boarding through an instant account opening platform to Tab Banking and Selfie Mobile app, your Bank is ensuring digital services at all touch points. On March 31, 2021, nearly 90% of all eligible savings accounts were opened digitally, thereby, ensuring ultimate customer satisfaction and cost savings for your Bank.

Your Bank's digital platforms like 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 March 31, 2021, around 86% of your Bank's transactions were handled through its digital platforms. Around 92% of the retail individual transactions happened through Digital Channels, especially Mobile Banking, which accounted for 70% of all transactions.

In continuation of the digital journey, your Bank has also pioneered the use of Tab Banking in the sourcing of Auto Loans. The solution, GoNoGo, is designed for simplicity and speed and is used at the point of sale (i.e. the car dealer's location) to facilitate the approval and opening of car loans.





Management Discussion and Analysis (Contd...)

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 and 100+ partners 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 suitable products that they want to roll out.

Fostering new Partnerships in the Open Banking Era

Your Bank has partnered with many Fintechs in the country where the Fintechs make use of the technology capability and business knowhow of the Banks while contributing their share by bringing in innovation and enabling a better customer experience. A few partnerships that commenced in FY 2020-21 are:

1. **BharatPe:** A Fintech that provides a unified QR for merchant establishments. As on March 31, 2021, BharatPe has on boarded 37.66 Lakhs merchants on Federal Bank's UPI platform with 4.88 Crore transactions made by customers at these merchant locations through Federal Bank. Your Bank is Bharatpe's number one partner bank as on March 31, 2021.
2. **DigiVirdhi Technologies:** Federal Bank has partnered with M/S DigiVirdhi Technologies (DGV) for automating payments in the GCMMF (Amul) milk collection ecosystem. M/S DGV has integrated with Federal Bank to provide Micro ATM services, end to end digital payments and settlement services for the milk societies who are members of GCMMF ecosystem. The partnership is in a Closed User Group Mode with just one Milk Society and a group of farmers in the current Fiscal while a formal launch is expected to happen in Q1 of FY 2021-22. The project is expected to reach 36 Lakhs farmers in Gujarat once fully implemented. The project aims to reduce cash in the economy and promote digital payments amongst the farmer community.
3. **EPIFI:** EPFIFI is a neo-banking platform that aims at providing hyper-personalised and frictionless savings and investment services to salaried millennials and working professionals. The partnership rides on the Open Banking capabilities of your Bank and helps acquisition of new customers for the Bank through the EPIFI mobile banking application. The project is currently under a Closed User Group mode for friends and family and is expected to launch in the first month of FY 2021-22 to one Lakh plus customers, who are already in the waitlist.
1. **Fed-e-Remit:** Fed-e-Remit is a digital platform for Outward Remittances. The outward remittance from India is growing heavily and under LRS, the projected outflow is around USD 18 Bn. Your Bank has launched an end-to-end online platform through which the customers can send money in all major currencies under LRS, in a completely digital and paperless manner.
2. **Branded contactless POS terminals:** Your Bank launched its own branded POS terminals with unique design and multiple features like Amazon Pay, Credit Card EMI, and Tap and Pay facility at very competitive rates.
3. **FedSwagat:** This is an appointment booking platform for customers, first in the industry, where customers can pre-book appointments with a preferred branch for a preferred service. This is aimed at providing safe and convenient banking services without any queues.
4. **Video KYC:** In the pandemic-driven situation, people no longer prefer to visit a branch to open an account with their preferred Bank. With the intention of allowing prospective customers to open accounts from anywhere in India, your Bank launched Federal 24 7, where they can start a relationship, with a combination of Aadhaar based e-KYC and Video KYC, in under three minutes. The state of the art facility make use of Advanced Artificial Intelligence capabilities, face recognition & geo tagging, using a video call, to open an account on all days of the year.
5. **vMeet:** It is a Video conferencing application where customers can request for video calls with their respective RMs/Branch Managers and video chat with them. They can get remote investment advices as well as support through this channel. This facility helps NRI customers, who are facing travel restrictions, to enjoy face to face video chat with the Bank officials.
6. **Federal Bank Cash Points:** All our POS terminals feature withdrawal of cash facility enabling people to withdraw cash through these terminals. This helps our customers to withdraw small amount of cash from merchant locations without having to visiting any branch or ATM and at the same time helps our Merchants to effectively recycle their cash. Merchants can subscribe for these services free of cost.
7. **Amazon Pay in POS terminal:** The millennial customers prefer convenience in payments. To promote safe and secure transactions, your Bank collaborated with Amazon Pay and integrated the facility in its POS terminals. This facilitates consumers to make contactless payments at merchant locations without the need for a debit card.

Major Launches in FY 2020-21

The Bank launched many initiatives during the year. Few of them are mentioned as below-

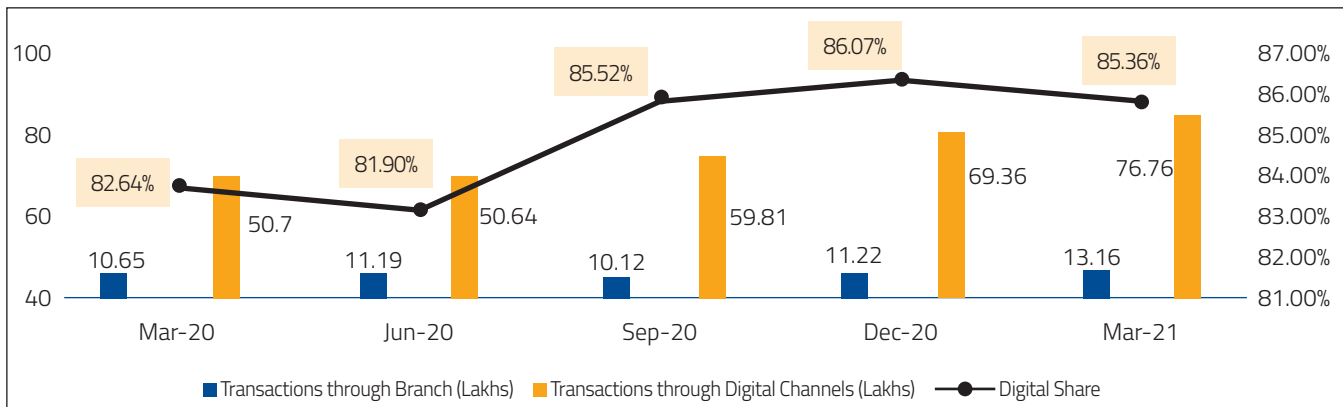
Management Discussion and Analysis (Contd...)

8. **Mini Digital Bank:** Making the whole gamut of financial services available to customers 24 x 7 is an endeavour of any player in BFSI. We have thus launched our Mini Digital Bank, a completely new Mobile Banking package- FedMobile. The new app provides a complete banking experience to our existing as well as prospective customers, starting from On boarding, Payments, Investments, Loans, Account services, Life Style services, UPI & FedBook .The app is a one-stop shop for every need of the customer and has eliminated the need for multiple applications.
9. **Feddy, our personal assistant:** Your Bank launched a personal assistant 'Feddy' to guide its customers through their queries. Our approach goes beyond the usual Q&A

training of a BOT to create an algorithm that can surface the most relevant information for any given context. Given the combination of human touch along with cutting edge machine learning, our assistant can answer questions with an incredible level of accuracy.

Digital Adoption & Merchant Acquisition

The digital share of transactions of your Bank crossed 85% for the Fiscal Year, of which Corporate Digital share of the Bank reached 73.50%. 92% transactions done by the Retail customers were through digital channels. The total number of digital users of your Bank stood at 27.83 Lakhs at the end of Fiscal Year. The total number of merchants reached 37.66 Lakhs at the end of the year.



The digital users grew by 21% YOY and the monthly Mobile Banking volumes crossed ₹ 10,000 Crore mark during the Fiscal Year to reach ₹ 10,645 Crore as on March 31, 2021.

MeitY Score Card

Your Bank is ranked 2nd in the DIGIDHAN dashboard published by MeitY as on January 2021 and is ranked number 1 in the category specific score card. Your Bank has achieved the target given by MeitY for digital transactions and merchant acquisition.

CREDIT HEALTH MANAGEMENT

Credit Administration Department ensures the health of credit portfolio (i.e. borrowers with aggregate exposure of ₹ 2 Crore and above) 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, 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 ensures regular follow-up of compliance with covenants required by the credit policy and the Sanction Order. Further, the

department ensures sufficiency and protection of underlying assets, and also ensure that the securities are updated and re-valued at regular intervals. Further, 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 deploys various tools to closely monitor the credit health of the portfolio on an ongoing basis. The department has put in place defined systems, procedures and practices, and developed various tools for gathering and analysing data from internal as well as external sources. To stay sharp and relevant in the dynamic socio-economic environment, your Bank's Credit Monitoring Department is continuously upgrading the tools.

Identifying stress during the nascent stage and initiating prompt corrective actions based on the data analysis forms the crux of credit health management process. Thus, stressed situations are identified well in advance and corrective action plans are implemented wherever required. Asset quality and credit discipline with compliance culture on an ongoing basis is ensured





Management Discussion and Analysis (Contd...)

by the Bank through an end-to-end monitoring process by the Credit Monitoring Department.

STRESSED ASSET MANAGEMENT

Gross NPA as a percentage of Gross Advances of the Bank stood at 3.41% and Net NPA as a percentage of Net Advances of the Bank stood at 1.19%. The Provision Coverage Ratio (including technical write offs) stood at a healthy 77.65%.

Your Bank constantly improves its collection and recovery architecture to improve its asset quality. It also uses various analytics tools to predict the propensity to default and collection score of the borrowers. Collection strategies are formed based on these analytics driven reports. Your Bank has rolled out an end-to-end digital platform for settlement of low ticket loans, which resonates with its 'Digital at the Fore' philosophy.

Your Bank has utilised the relief packages provided by Reserve Bank of India, such as COVID Resolution and Moratorium, as a customer engagement program, where the impacted customers were provided with viable solutions to tide over their temporary financial difficulties. Your Bank strengthened the collection mechanism through increased team strength and improved partnerships. Enhanced use of digital tools and analytics has also helped your Bank to maintain one of the industry best collection efficiency, despite the challenges faced by the COVID-19 pandemic.

RISK MANAGEMENT

The Risk Management philosophy of your Bank is to take risk by choice rather than by chance. Your Bank seeks to build scalable and resilient businesses while operating within the guardrails of risk management. 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 a robust risk management framework in place, which covers the policies, procedures, methodologies and framework established to systematically manage the material risks.

- The Board of Directors oversee and approve the risk policies and strategies to establish an integrated risk management framework and control system in your Bank
- The Risk Management Committee (RMC) of the Board oversees the 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

- Integrated Risk Management Department headed by a 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

The 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. In order to focus on maximization of return on capital, your Bank has aligned its business strategies to a Risk Appetite Framework. A risk-based pricing framework has thus been implemented for pricing of loans to evaluate returns vis-a- vis risks taken.

Credit Risk Management

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, inadequate monitoring, weak collection and recovery mechanism etc are a few elements that contribute to the credit risk of a Bank.

Your Bank has a centralized credit risk management division independent of its business functions. It has strong credit appraisal and risk management practices in place for identification, measurement, monitoring and controlling credit risk. Further, 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 minimise defaults. The factors considered while sanctioning retail loans include income, demographics, employment, credit history of the borrower and tenor of the loan. In wholesale loans, credit risk is managed by capping exposures on the basis of the borrower group, industry, credit rating grades and geography, amongst others.

Your Bank follows a policy of portfolio diversification and evaluates its total financing exposure to a particular industry in the light of its growth forecast and profitability. Your Bank's Credit Risk division monitors all major sectors of the economy and specifically tracks industries in which the Bank has credit exposures. Your Bank also has a framework for managing concentration risk with respect to single borrower and group exposures, based on the internal rating and track record of the borrowers. The exposure limits for lower-rated borrowers and

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groups are substantially lower than the regulatory limits. 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.

During challenging periods, like the current one triggered by the pandemic, where the economic activities become highly dynamic and volatile, your Bank conducts continuous stress testing of the portfolios and ensures necessary remedial actions.

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 well-developed framework, comprising of Board approved policies and established practices, for management of the market risk. Your Bank has set risk appetite and Value at Risk (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. It 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. Your Bank's Market Risk Management division monitors key parameters on a periodic basis and recommends changes in policies, processes and methodologies. The Mid Office scrutinizes the treasury deals and transactions from both market risk and operational risk perspectives. Your Bank has put in place detailed policies 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 portfolios 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. Your Bank monitors Liquidity Risk through Liquidity Coverage Ratio (LCR), Structural Liquidity Gaps, Dynamic Liquidity monitoring, Liquidity Ratio analysis, prudential limits for negative gaps in various time buckets etc.

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. Interest Rate Risk on Trading Portfolios is monitored through Market Risk Measurement tools such as, VaR, PV01 etc on a daily basis.

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 appropriate risk appetite limits and other tolerance limits for both liquidity risk and interest rate risk. While the maturity gap and stock ratio limits help manage liquidity risk in your Bank, regular assessment of its impact on the NII 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 Management Committee (ALCO) is responsible for monitoring its 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 as a measure to assess your 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% from January 1, 2019. Your Bank's LCR as on March 31, 2021 stood at 211.74% and the average LCR was at 241.64% for the quarter ended March 31, 2021.

RBI has also mandated minimum Net Stable Funding Ratio (NSFR) of 100% with effect from October 01, 2021. 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.





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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 suitable checks and controls are implemented to mitigate such risks. Your Bank has also put in place a fraud prevention framework, whereby various transactions are monitored by dedicated teams from the angle of fraud risk and Anti Money Laundering (AML).

Business Continuity Management

Your Bank has put in place a comprehensive bank wide Business Continuity Management (BCM) plan and procedure to ensure continuity of critical operations of the Bank in the event of any disaster/ incident affecting business continuity. Your 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) Committees have been formed at all units of the Bank, which acts as a 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 needed.

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 Center (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 Center, 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 a comprehensive internal control framework which is supplemented with appropriate procedures 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 also identified and evaluated in terms of their effectiveness. The adequacy and effectiveness of these controls are independently assessed on a regular basis and if 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 with respect to market risk for computation of capital charge under Basel guidelines. Further, your Bank is gearing up with data build up and system requirements for migrating to advanced approaches. Capital Adequacy Ratio of your Bank as on March 31, 2021 under Basel III norms stood at 14.62%. Your Bank's Common Equity Capital level of 13.85% offers good cushion for further expansion and growth in asset portfolio and is in compliance with the requirements of Basel III norms. The Capital Adequacy ratio at consolidated bank level stood at 15.19%.

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 March 31, 2021 stood at 215.28%.

Capital Management Framework

Your Bank's approach to capital adequacy is driven by strategic and organisational requirements while taking into account the regulatory and macro-economic environment. Capital management involves an on-going review of the level of capitalization against the set risk appetite and to maintain a strong

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capital base to support long term stability, planned business growth and mitigate inherent risks in various businesses.

Your Bank endeavours to maintain strong Tier I capital position as part of the overall business strategy and as a source of competitive advantage. It provides assurance to regulators and credit rating agencies, while protecting the interests of depositors, creditors and shareholders. Strong capitalization also enables the Bank to take advantage of attractive business opportunities. Your Bank strives to strike a balance between the need for retaining capital for strength and growth while providing an adequate return to shareholders and sets an internal Capital Adequacy ratio target that includes a buffer in excess of the minimum regulatory requirement. In addition to the regulatory risk based capital framework, your Bank is also subject to minimum Leverage Ratio requirement and maintains a Leverage ratio which is higher than the regulatory requirement.

Your Bank has a structured management framework in the Internal Capital Adequacy Assessment Process (ICAAP) to identify, assess and manage all risks that may have a material adverse impact on its business/financial position/capital adequacy. The ICAAP framework is guided by a comprehensive Board approved ICAAP Policy. ICAAP is aimed to ensure that your 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 adequate capital to cover all such risks. The annual ICAAP is placed before the Board and the Risk Management Committee (RMC). Quarterly review of the ICAAP is conducted and placed before the RMC. The capital management framework is also complemented by the risk management framework, which covers the policies, processes, methodologies and frameworks established for the management of material risks.

Additionally, the Board approved Stress Testing Policy and Framework entails the use of various techniques to assess potential vulnerability to extreme but plausible stressed business conditions. Based on the stress testing policy approved by the Board, your Bank conducts stress tests on various portfolios and assesses its impact on the capital ratios and the adequacy of capital buffers for current and future periods. Your Bank periodically assesses and refines its stress testing framework in an effort to ensure that the stress scenarios capture material risks as well as reflect possible extreme market movements that could arise as a result of market conditions and the operating environment.

Compliance Risk Assurance

The rising consumer expectations for anywhere, anytime banking in a safe and secure mode coupled with growing product profile

in a fast advancing technology landscape, keeping in mind the regulatory environment, calls for a strong compliance framework to manage your Banks' Compliance Risk.

A Compliance Risk Assurance Cell (CRAC), under the guidance of Chief Risk Officer, is functioning in your Bank since May 2019 to ensure adherence to various regulatory and internal requirements. 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.

COVID -19 Concerns

The outbreak of Covid-19 pandemic poses a serious threat to lives and livelihoods across the world and can severely impact the global economy, including India. The impact of the pandemic may pose challenges in the business continuity, asset quality and liquidity position of your Bank and adequate measures have been put in place to respond dynamically to these challenges and minimise impact. The RBI and Government of India have come out with various measures to manage the situation. Your Bank is closely monitoring the situation and necessary steps are in place to ensure business continuity. The credit quality is being assessed under various stress scenarios at close intervals. The liquidity position is also being closely watched and contingent liquidity position and available sources of funds to meet contingent scenarios are being assessed periodically.

HUMAN RESOURCES

In a year that was much challenging, your Bank took all the efforts to keep its employees in good spirits. Many digital activities were conducted to ensure continuous employee engagement and keep the employees and their families motivated. The implementation of Work from Anywhere in your Bank is a morale booster for the employees and a trendsetter for the industry itself. It also serves as a timely measure to ensure business continuity during the pandemic. During the year, your Bank was titled as a Great Place To Work, which is a globally coveted certification. The total human capital of your Bank stands at 12,592 at the end of the financial year. The average age of the employees is 37 years and the current male-female ratio is 60:40.

Employee Engagement

Qualitative engagement activities bind employees and their families to the organisation and keep their spirits high, particularly during this pandemic. Additionally, your Bank believes that a positive employee experience will lead to higher levels of employee engagement which will not only build happy families, but also will help us achieve better customer engagement and satisfaction.





Management Discussion and Analysis (Contd...)

In an effort to bring more comfort to our employees and build a good work life balance, your Bank had initiated measures that will go a long way in making your Bank the Most Admired Bank. Webinars on Stress Management, Yoga, Health & Wellness, Photography, etc were conducted periodically to keep the employees informed and engaged during the lockdown. Digital Family meets were conducted to cheer the employees and their families. Employees were motivated to showcase their own talents and that of their family members through the official online communication platforms on Yammer. These were eventually compiled into videos named Lockdown Diaries.

The safety of our people was ensured through an option of Work from Home on a rotation basis along with the benefit of flexi locations for work. Under this option, employees facing travel difficulties were allowed to work in branches/offices near their home and special consideration was given to employees in need of special care. Your Bank ensured the safety of employees and their concerns related to the pandemic were met by the formation and co-ordination with Crisis Management Teams at Head Office and all Zonal Offices. SMILES, a Program to relieve stress and provide counselling to employees, was also organised by your Bank.

Employee Communication

Your Bank ensures the effectiveness of various channels that facilitate employee communication at various levels. Latest technologies are deployed to reach a wider audience and aid the employees to collaborate with each other. A communication strategy was also issued during the pandemic on employee welfare, general health/hygiene/best practices and general matters. Christened as 'Ask Series', relevant Talk Shows were conducted by the top management through digital platforms, encouraging active participation by the employees. This helped the employees to align with the leadership thought and vision and help them stay more informed, equipped and current. To disseminate the information regarding updates and other measures, internal digital platforms like Filter Coffee (internal newsletter) and Yammer were extensively used. Through effective communication, the objective of your Bank is to establish a seamless connect with all employees and involve the entire taskforce in building stronger trust-based relationship.

Employee Welfare and Wellbeing

Your Bank gives paramount importance to the welfare and wellbeing of its employees. All efforts are being taken by your Bank to support the employees and their family members during the pandemic.

Resource Re-skilling

Your Bank has been focusing on Talent Re-skilling Strategy through internal grooming and external absorption, in alignment with business transformation. The re-skilling activities, 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 refers to the thrust given to the HR strategy in your Bank. These objectives are being fulfilled through digitization, centralization of activities and learning programs that are focused on customer service, sales and relationship banking.

Over the last year, 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. While the relationship portfolio was strengthened by hiring experienced personnel from the industry at supervisory roles, the Officers at field level were deployed from the internally available talent pool in various relationship verticals / verticals formed on account of reorganisation.

Reimagining Recruitment

FedRecruit, the Artificial Intelligence (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, leading to faster candidate profiling, greater stakeholder engagement, employer branding, superior hiring and better analytics.

Employee and Industrial Relations

The Industrial Relations scenario during the last year had been congenial and various representative bodies were given due importance to maintain harmonious relations.

Talent Development and Training

Training Division of your Bank i.e. the Federal Knowledge and Development Center (FKDC) spearheads and drives learning and development activities "Phygitally" with the objective of building a workforce that is constantly learning, re-learning and developing. Your Bank has a bouquet of Synchronous and Asynchronous Learning programmes driven fully through virtual modes even before the pandemic times, which has helped uninterrupted learning opportunities for employees post pandemic lockdown.

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These include Instructor-led live webinars, webcasts, offline video tutorials, gamified learning, simulations and custom-made E-learning programmes, categorised into Mandatory Learning, Micro Learning and Role-based Learning modules, addressing Role-specific functional and behavioural learning requirements of employees in various roles.

All learning programmes are curated based on training need analysis of knowledge, skills & attitude, 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 administrative and business verticals, field representatives and faculty team meet twice in a financial year to chalk out the priority training areas for the Bank and to review the progress and effectiveness of all training interventions.

During FY 2020-21, the Bank further evolved in the mode of learning and training dissemination by going 100% Digital. Your Bank provides around 300 plus self-paced e-learning courses for its employees, structured under quarterly learning seasons, with RPA-enabled tracking and follow-up, gamified learning dashboards and leader boards etc. to ensure that learning is engaging and adds value to business and individual growth.

Training Highlights FY 2020-21

- **MOOCs tie up with EdX** - For specialized roles requiring additional domain knowledge in Digital, Data Analytics, Automation, Design Thinking, Blockchain etc, your Bank offered various learning programmes in EdX.
- **Gamified Learning** - Our LMS enables gamified learning with real-time updates on learning hours completed, points scored, unique and personalized dashboards and Digi badges.
- **Digital Induction** – Induction and orientation programme went completely digital in order to combat pandemic challenges and successfully deploy trained manpower to our branches. Use of online live engagement tools like Mentimeter, Wordwall platforms and Leaderboards gives the desired physical classroom touch to our virtual learning programmes.
- **Learnathon**- A month long learning drive was conducted across the organisation through short videos that were curated in-house by key functional departments. The drive helped in knowledge dissemination of our products and processes.
- **Leaders League** – In this event which was conducted over various months, 1,035 employees across the organisation engaged directly with our MD & CEO on various leadership ideas over virtual fireside chats.

- **DAKSHA** – To keep abreast with the latest industry trends and gain exposure of the emerging market trends in BFSI, DAKSHA – an online talk series by external industry experts and stalwarts in BFSI, is organised for your Bank's employees once or twice a month.
- **Live internal Master class series**- This is conducted by internal and external domain experts and is hosted on a wide range of topics like Financial Investments, Digital Marketing, Data Analytics etc.
- **Mandatory e-learning** – E learning modules like Information Security Awareness, Business Continuity Management, KYC & AML Guidelines, Banking Ombudsman, BCSBI and Fair Practices Codes etc. were provided to all officers.

Key Statistics 2020-21

- Against total employee strength of 12,592, training was provided to 10,820 employees in the current FY with a 100% shift from classroom mode to online instructor-led training (including 936 employees trained via external institutes)
- 99% of our officers, including executives, and 96% of total employees have participated in various self-paced e-learning programmes
- 4.02 Lakhs total learning hours generated under various training and self-paced e-learning modules, which is equivalent to an average of 4.5 days of training to each employee
- Board members and 76 Senior Management Executives underwent training and certification in IT and Cyber Security at IDRBT, Hyderabad in compliance with the RBI guidelines
- E- Learning on Cyber Security was provided to 10,107 employees as part of the mandatory learning programme
- E-learning on Business Continuity Management was provided to 7,336 employees including Senior Management (96% officers)

Performance Management System

Performance Management System in your Bank helps employees stay focussed and ensures continuous improvement at Individual, Group and Organisational 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 an opportunity to submit their grievance through an online platform.





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An independent committee then looks into the grievances and arrives at a judicious decision, which is communicated to the 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 Managing Director & CEO. An executive level committee named the "Inspection Review Committee of Executives" headed by the Managing Director & CEO 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, and directions of the Audit Committee of the Board and the Board of Directors. The review and modifications ensured that the audit systems and procedures are contemporary and continue to be an effective tool for monitoring control and compliance in your Bank. 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. 745 Risk Based Internal Audits were conducted during the year.
- **Information System Audit** - Information System Audit collects and evaluates the 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 2020-21, Information System Audit was conducted in 1,376 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 Centers, 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 2020-21, Management Audit was conducted in 129 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 leverages 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 and is also used as a tool to prevent frauds. We have implemented the revised Concurrent Audit framework, duly approved by the Audit Committee of the Board, as per RBI circular dated September 18, 2019, with effect from April 1, 2020. During the year under review, Concurrent Audit was in place in 239 branches and 80 offices, covering 61.16% of total advances and 43.75% of total deposits of

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your Bank. The offices covered under the Concurrent Audit include Treasury Department, Operations Department, Information Technology 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, Centralised Retail Credit Hubs, Corporate Client Service Centers, FedServ, Deposits Cards and Unsecured Lending, Transaction Banking Department, Digital Center of Excellence, Regional Cheque Processing Centers, Transaction Monitoring and Fraud Prevention Department, AML Monitoring Department, Credit Monitoring Department, Exceptionally Large Branches and Branches where RBI risk rating is assessed as "High". Concurrent Audit is also conducted in all the currency chests as required by the Reserve Bank of India. 276 External Auditors / Audit Firms and 23 Retired Officers were engaged for audit assignments during the period. Additionally, Concurrent Audit of 19 units was conducted by Internal Audit Staff.

The Inspection & Audit Department is manned by appropriately qualified personnel and has a staff strength of 90 officers (as on March 31, 2021) 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 FY 2020-21, 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 is as follows:

Type of Inspection/Audit	Number of Audits conducted
Risk Based Internal Audit	745
Information System Audit	1,376
Management Audit	129
Revenue Audit	1,257
Gold Loan Audit	1,894
Credit Audit	644
Legal Audit	471
Bi-monthly audits at Currency Chests	54
Audits of outsourced agencies/ managed services	183

The compliance position of audit comments has improved during the year 2020-21. A significant reduction of 44% in the position of audit comments outstanding for rectification is observed on year-over-year basis.

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 and various online channels are monitored by the Transaction Monitoring Team. With special focus on UPI, a new team has been set up to monitor UPI transactions on NPCIs eFRM tool. 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. 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 also takes place round the clock. With the launch of Credit Cards (CUG & Staff Launch), monitoring of Credit Card transactions on dedicated tool – Falcon has also commenced. Transaction Monitoring Team could identify suspicious online transactions and take immediate remedial measures to prevent further occurrence. The close association with Cyberdome of Kerala Police has been instrumental in preventing many fraudulent transactions and making recoveries to a reasonable extent.

LEGAL COMPLIANCE

In recent times, the legal environment in the country has become very dynamic, with new laws and amendments to the existing laws being enacted at a very brisk pace. In order to cope up with this change and to ensure legal compliance, it is imperative for a robust legal risk management process to be laid down. The process helps your Bank 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. The processes are designed to ensure legal and regulatory compliance and enable detection and prevention of any breaches. The 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. Further, your Bank has a well laid system, which ensures that the documentation process is contemporary and in tune with industry standards, thus minimising the menace of legal risk, and in the meantime enhancing customer experience. Additionally, a "Manual of Instructions on Documentation" has been published by our Legal Department comprising of all





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the general instructions pertaining to documentation for the reference of branches and other functionaries, and the same is also updated periodically.

Legal Hubs are set up at all the Zones of your Bank to ensure compliance with local laws and render legal support to the branches, underwriting teams and credit administration teams. New products, processes and schemes introduced by your Bank invariably undergo legal vetting by the Legal Department to ensure legal compliance and proper analysis of legal risks involved. Moreover, 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, keeps all teams well informed on legal challenges/ issues and steps to be taken to avert compliance failures. Legal Department, a repository of statutes, also 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.

Other than this, the 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. It has 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. Moreover, Zonal Legal Hubs have been holding sessions on legal topics for enriching branch level functionaries. With a view of imparting awareness on latest developments/ amendments in law and to strengthen the knowledge base of the Legal Officers of your Bank, the department is also conducting Biennial Conference of Legal Officers where legal luminaries address the participants on latest topics virtually.

The Legal Department is also conducting Panel Advocates Meet across various Regions/Zones, which helps the Bank in understanding the best practices on legal/documentation side and also helps in deriving optimum services from the panel advocates. Value addition is imparted by holding interactions amongst the members of Legal Department and Legal Hubs through audio-

visual means, which also helps in resolving the hitches faced by the Legal Hubs, thereby enabling them to function efficiently and contribute to the overall growth of your Bank.

REGULATORY COMPLIANCE

Compliance, with all applicable laws and regulations, is quintessential to the success of the Bank. Hence, your Bank balances growth and controls simultaneously to achieve the Most Admired Bank status. Your Bank's compliance philosophy declares that the Bank has neither appetite nor tolerance for any compliance risk on account of non-compliance with regulations.

Your Bank adopts risk- based approach and has put in place appropriate policies and processes to ensure enterprise-wide compliance. To manage compliance risk, we have built a comprehensive Compliance Risk Management Framework (CRMF), containing processes covering implementation of regulations, identification of risks, and remediation of risks on time. To identify any known or hidden risks, we have a variety of monitoring and testing programs, like branch and department self- testing by frontline staff, review by Compliance Monitoring Officers and Compliance Risk Assurance Cell (CRAC). Every staff of your Bank is committed to maintain the highest level of compliance standards, both in professional and personal life. Zero adverse regulatory action or investigation on the Bank during the financial year is a testament of their commitment and the effectiveness of your Bank's compliance management.

Your Bank has taken many steps to strengthen its compliance structure. It has revised the Compliance Policy and the Policy on Combating Financial Crime, keeping in view the regulatory requirements and best domestic and international practices. This year, it has also extended the compliance program to the subsidiaries and group companies. Additionally, your Bank has also framed a robust annual Compliance Risk Assessment Program and Quality Assurance Program to rate the compliance risk and ensure sustenance of compliance standards.

On the technological front, your Bank is also embarking on tech-based innovations to rewrite its compliance controls and standards. The Continuous Compliance Monitoring (CCM) is a new technological solution leveraging the data analytics and artificial intelligence. The solution will be industry's first and help multiple control functions such as compliance, audit, vigilance and CRAC to comprehensively monitor scenario-based alerts on any transactional deviations within 24 to 48 hours. The upgraded Anti- Money Laundering solution that your Bank is currently implementing will provide an exhaustive list of management and screening capabilities of individual transactions, comparable

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with the Financial Action Task Force (FATF) recommendations and international standards. Moreover, the Bank is developing an electronic comprehensive obligation register covering more than eighty statutes and thirty regulatory authorities/ industry bodies. The obligation register will be supplemented by a manual of instructions to each department for process mapping, gap identification and periodic confirmation of compliance through self- testing, monitoring, concurrent and internal audits. Henceforth, the periodic compliance confirmation to the Board and the Regulator by your Bank will be based on the actual testing and affirmations carried out on all transactions from time to time. With this, your Bank can proudly present its Compliance Model as a benchmark for the industry.

MARKETING

Marketing campaigns of your Bank in FY 2020-21 were driven by the twin watchwords 'Digital at the Fore and Human at the Core' and 'First Choice'. The primary endeavour of your Bank was to ensure that it stays on the course despite unfavourable external conditions. Hence, priority was given to digital and social media campaigns over large scale ATL campaigns like TV and print. Over the years, data driven digital advertising has gained a greater impetus among brands aiming to become more focused and result-oriented. Your Bank adhered to this profound change by embarking on a robust digital marketing journey. To stay on track and capitalize on the new reality of marketing and advertisement, your Bank partnered with a leading digital marketing agency. Through a combination of product and brand promotions, your Bank ensured that it remained relevant, visible and on top of mind for customers/ audience.

The year saw your Bank launch an array of campaigns on Digital for products such as Federal 24 7, Celesta, Car Loans, Sovereign Gold Bonds, Contactless Cards etc. with prime focus on visibility and conversions. The endless possibilities of social media were also leveraged for brand promotion during the FY. Having said that, your Bank also explored some traditional marketing avenues such as Radio Campaigns for products such as Gold Loans. During the year under review, brand Federal made significant inroads into the consideration set of Indian consumers and slowly but steadily gained the mindshare of various stakeholders.

Your Bank's MD & CEO winning the 'Business Standard Banker of the year' award has caught the attention of the industry at a national level. Several other recognitions came your Bank's way including 'Best Bank and Fastest Growing Bank' by Business Today and KPMG; awards for 'Most Innovative

Project'; recognition as a runner up in the categories of 'Best Technology Bank of the Year' and 'Best IT Risk & Cyber Security Initiatives' among medium banks; and IBA Annual Banking Technology Awards 2021. Encouraged by the impact created by the digital campaigns, a very conscious and extensive groundwork was done in the year for a confident take off in digital marketing in FY 2021-22.

SERVICE QUALITY

An increase in adoption of digital banking by consumers and enhanced reliance on technology based solutions to overcome day-to-day challenges has made it imperative for any business to leverage innovation and technology for improving the existing products and procedures and delivering quality experience to customers. Your Bank thus initiated a Quality movement in 2012 with the following objectives:

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

In pursuit of this, your Bank has employed a dedicated team to facilitate identification and implementation of process improvements which are critical from a customer point of view. This team liaises with other teams to evaluate various customer touch points and strives to improve various services. The team had identified and executed 100+ process improvements, large and small, to ensure responsive and frictionless customer service. One of the initiatives is introduction of a self-service facility (Fed e Point) via website, where the customer can avail various banking services through a single portal. Some of the services available on this portal include Email ID updation, request for debit card/ cheque book, Gold Loan renewal, raise a dispute, KYC upload, Positive Pay system, profile update in customer account, 15 G/H updation, online financial advisory etc.

Your Bank has also implemented the RBI guidelines on Harmonisation of Turnaround Time (TAT) and customer compensation for failed transactions using authorised Payment Systems, by putting in place various systems and a dedicated team which ensures this.





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Customer Grievance

Sr. No	Particulars	Previous Year (2019-20)	Current Year (2020-21)
1.	Number of complaints pending at beginning of the year	1,354	1,692
2.	Number of complaints received during the year	2,00,249	1,47,914
3.	Number of complaints disposed during the year	1,99,911	1,46,108
3.1	Of which, number of complaints rejected by the Bank	48,386	46,394
4.	Number of complaints pending at the end of the year	1,692	3,498
Maintainable complaints received by the Bank from OBOs			
5.	Number of maintainable complaints received by the Bank from OBOs	535	757
5.1.	Of 5, number of complaints resolved in favor of the Bank by BOs	150	243
5.2	Of 5, number of complaints resolved through conciliation/ mediation/advisories issued by BOs	385	511
5.3	Of 5, number of complaints resolved after Passing of Awards by BOs against the Bank	Nil	Nil
6.	Number of Awards unimplemented within the stipulated time(other than those appealed)	Nil	Nil

Note: Maintainable complaints refer to complaints on the grounds specifically mentioned in BO Scheme 2006 and covered within the ambit of the Scheme

Customer Delight

Your Bank is always keen on relationship building, customer convenience and delight. With the purpose of enhancing customer experience and brand trust, it initiated opening of new branches, capacity building of contact center, web based portal for self-service, digital products and also observes customer-day on 15th of every month. Branches are also sanitized and laced with fine interiors, at par with industry standards. The security aspect has been given utmost importance with modern equipment like closed circuit TV, motion sensors, infra-red cameras and fire alarm systems. Your Bank has also started online real time remote security and surveillance of ATMs and branches towards this end. Further, it is progressively equipping its branches with fake note detectors, note sorting machines and currency authenticating machines, in compliance with the regulatory guidelines. Your Bank has installed 1,957 ATMs/Cash Recyclers (including 10 Mobile ATMs) which will enable customers to withdraw/deposit cash in their account 24 X 7. With these measures, your 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.

STRATEGIC PLANNING

In this new era of heightened economic volatility, strategic planning has become more relevant and critical. The Corporate Planning Department of your Bank works towards developing effective future-ready strategies aligned with the market realities and setting aspirational goals for your Bank to achieve. The

department co-ordinates with diverse functions like Planning, Budgeting, Monitoring of Business Performance, Business Analytics, Cost Management and Management Information systems to achieve its goals.

'Branch Light Distribution Heavy' approach followed by your Bank ensures a healthy co-existence of the branch channel consisting of 1,272 Branches, 1,957 ATMs/Cash Recyclers (including 10 Mobile ATMs), with alternate distribution channels including Relationship Managers, Field Sales teams, and Digital Acquisition; 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. Cost Management has become a compulsion to ensure sustainability in the long run pushing the department to maintain a holistic approach and adopting an agile operating model, while connecting cost reduction and investment decisions.

Under the watch of a core Analytics team, your Bank is consistently enhancing its analytical capabilities and leveraging the rich data resources available in an optimal manner. The deliverables for the division, in the form of relevant, qualitative and actionable insights for stakeholders at each level and on time, are ensured by leveraging both internal and external data sources. This will ensure that the right product is offered to the right customer at the right time using right channel, warranting the customer wallet share to always point north.

Management Discussion and Analysis (Contd...)

Leveraging cutting-edge technologies, the power of data science and robust analytical frameworks is aiding the decision-making process for your Bank, enabling it to capitalize on new opportunities as well as gear up to respond optimally during stressful times like COVID-19. Overall, this ensures a better customer experience and infusion of customer delight while maximizing profitability.

MIS team, a multi-functionary cell under Corporate Planning Department, coordinates comprehensive report generation and automation, ensuring data quality, accuracy and timeliness of information for prudent decision making as its prime objectives. The agile reporting of MIS enables branches and offices to align and organise 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 Reports Cell, which functions under MIS, is a specialized team that deals with generation and automation of regulatory reports of your Bank, and ensures integrated and prompt generation of reports for stakeholders to enable onward submission to the regulators. Your Bank also has a Quality Assurance Cell for MIS, that ensures the accuracy and consistency of data captured in the Bank's systems and validates the critical reports generated by the MIS team.

CORPORATE SOCIAL RESPONSIBILITY

Major CSR Projects undertaken during FY 2020-21

The Corporate Social Responsibility activities of your 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. Federal Bank Hormis Memorial Foundation was set up by your 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 October 18, 1996.

The CSR projects are executed under the Federal Bank Hormis Memorial Foundation, which acts as a special purpose vehicle for implementation of CSR activities of your Bank. The last financial year witnessed the spread of COVID-19 pandemic and its medical and socio economic impacts, resulting in inclusion of COVID-19 activities under the CSR umbrella by the Ministry of Corporate Affairs.

Major CSR projects undertaken during FY 2020-21 by your Bank are as follows:

Promoting Education

Federal Bank Hormis Memorial Foundation Scholarships

From the Year 2005-06 onwards, the Foundation is providing scholarships to deserving students for pursuing professional courses. From FY 2020-21, 13 additional scholarships have been added to the Nursing category, taking the total number of scholarships for nursing students to 45. During the year 2020-21, the trust offered assistance to 125 eligible students out of 150 seats available. This included 20 seats each for Medicine, Engineering, BSc (Agri), MBA; 45 seats for BSc Nursing and 25 seats to the wards of Martyred Armed Force Personnel. From the inception of the program till date, a total of 1015 students were selected for scholarships and 418 students are still receiving the same.

Federal Skill Academies (FSA)

As part of the Corporate Social Responsibility initiatives, your Bank started the Federal Skill Academy at Kochi on October 18, 2015 (Founder's Day). 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.

Smooth implementation of the project was ensured through collaboration with M/s SB Global Educational Resources Pvt Ltd as the implementing partner. All expenses towards this initiative are borne by your Bank. On successful achievement of the objective of the first Academy, your Bank decided to expand the Academy's operations to three more states, i.e. Coimbatore (2016), Kolhapur (2018) and Karnal (2019). The number of trainees have grown rapidly since then and the initiative has created livelihood for the youth as well as contributed significantly to the national skilling initiative.

The year 2020-21 started with an unprecedented situation as the COVID-19 pandemic disrupted all the normal activities, with Education/Training/Skilling being one of the worst affected segments on account of social distancing norms. The situation warranted the skilling industry to introduce technology driven learning and skilling and blended/hybrid learning thus emerged as an effective solution. As change leaders during this crisis, FSA decided to start delivering the theoretical portions of the skilling programs using online platforms. The first step to address the need was creating a cadre of well trained E-Teachers. The Pilot batch of E- Teacher program thus commenced on September 9, 2020 at FSA Kochi and BPO Non voice program followed suit on November 11, 2020.





Management Discussion and Analysis (Contd...)

'Vidyapetty'

The Govt of Kerala began virtual classes for school students from June 1, 2020 in an effort to ensure continuation of lessons despite the pandemic induced lockdown. The classes were being conducted through the Kerala Infrastructure and Technology for Education (KITE)-Victors Channel. However, given the fact that about 2 Lakhs students did not have adequate facilities to attend online classes, this new method of teaching and studying posed a challenge for both teachers as well as students. Eventually, Deshabhmani, one of Kerala's leading Daily, organised 'Vidyapetty', an initiative to enable those students who do not have access to TV at home, attend the online classes. Your Bank supported this initiative as a part of promoting education amongst the underprivileged section and eligible students were identified in each district with the help of schools.

Support to Light of Life Trust

Support to Light of Life Trust, Mumbai for the program, 'Anando', was designed for children who were school dropouts, belonging to the age group 11-18 years, with the aim to help them continue their education and enable them to lead a life of self-sufficiency and dignity. The program was implemented for 54 students at the Worli Center during the academic year 2020-21.

Support to Oxfam India project- Back to School Campaign

Oxfam India is a confederation of 20 independent charitable organisations focusing on the alleviation of global poverty and incorporated under Companies Act 1956. The aim of the project is to assist children from under privileged families to continue their schooling which was interrupted as an aftermath of the pandemic. After identifying that the incidence of child labour and child marriage of girl children was very common in the slum areas and migrant colonies of South East Delhi, M/s Oxfam India proposed the re-enrolment of these underprivileged girl students back to the educational institutions.

Support to IIT Palakkad- Research and Development in the context of COVID-19

IIT Palakkad intends to set up an Assistive & Rehabilitation Technology Research & Development Center in their institute in collaboration with SreeChitra Medical Institute (SCTIMST) Thiruvananthapuram and National Institute of Mental Health and Neurosciences (NIMHANS) Bangalore. SreeChitra Institute of Medical Sciences and Technology (SCTIMST) Trivandrum and a Medical Research Group in Italy have agreed to share their expertise and 60,000 ultrasound images of COVID-19 cases in Italy for the project. In an effort to assist hospitals in Kerala to combat the COVID-19 situation, IIT Palakkad also plans to develop Biomedical Assistive Diagnostic Devices and systems like Low Cost Medical Ventilator, Pulse Plethysmograph, Ultrasound Lung Imaging and Automated Analysis, Group Testing Equipment

for COVID-19 and Crowd Sensing using Mobile Phone. In lieu of its commitment to help India fight against the pandemic, your Bank supported the research team in IIT Palakkad to make desirable breakthroughs.

Promoting Education-Variou Projects

- (a) Support to M/s K P Hormis Education and Charitable Society, Mookkannur for providing scholarship to meritorious students
- (b) Support to disruptive innovations in education in the wake of COVID-19 crisis organised by Rajagiri Media Trust
- (c) Support to Govt. NSLP School, Ezhupunna for purchasing a LED TV to conduct online classes for students
- (d) Providing Note Books and stationery items to 213 children at SOS Children's Village, Aluva

Disaster Management – COVID-19

Deployment of Mobile ATMs in Karnataka, Kerala, Maharashtra and Tamil Nadu

During the month of April 2020, in an effort to support people affected by the nationwide lockdown imposed by the Govt, your Bank started deploying Mobile ATMs for a period of 3 months to bring essential banking services to the doorstep of the residents in Tamil Nadu, Karnataka & Maharashtra. In the Phase II of the project, mobile ATMs were also deployed in Kerala.

Livelihood Enhancement- CovidWarden Initiative

As an esteemed organisation committed to the people of Kerala, your Bank extended support to the unskilled/unorganised segment of the society under its Corporate Social Responsibility. Based on the requests submitted by the agencies, unskilled personnel were deployed as Covidwardens for managing the crowd outside the branches and ensuring social distancing as well as sanitization of hands.

Support to Helpage India, New Delhi

Helpage India is a leading charity in India working with and for disadvantaged elderly for nearly four decades. Your Bank, with a 50-50 contribution from public, supported Helpage India by sponsoring 5,600 food packets to migrants labourers during the lockdown period of 15 days at various locations in New Delhi.

Funding Community Kitchens at Aluva, Perumbavoor

In the recent years, Kerala has been experiencing a large influx of migrant workers from different parts of India. Due to the lockdown imposed by our Govt, these migrant labourers were left without job and food. During this period, your Bank supplied food materials to community kitchens for providing meals to such migrant labourers and other weaker section at Perumbavoor, Aluva and Angamaly.

Management Discussion and Analysis (Contd...)

Support to KeshavSrushti

M/s KeshavSrushti is a non-profit organisation located in Uttan, Bhayander (West), Thane District. Your Bank supported the organisation in providing 1,000 PPE Kits to doctors and medical staff, working in hospitals of Mumbai.

Support to National Health Mission

Your Bank supported the National Health Mission with PCR Testing machine for General Hospital Ernakulam during the first wave of COVID-19 pandemic. The machine boosted testing capacity of the district by huge numbers. Also, as a part of the vaccination drive in Kerala, 10,000 vaccine carriers were supplied across the state to NHM, as per the requirements of each district's medical authorities.

Support to enhance medical facilities in CMC Vellore

CMC Vellore is one of the few private hospitals identified for treatment of COVID-19 patients in Tamil Nadu. As a part of our CSR initiatives, your Bank supported the hospital to augment its medical facilities to combat the pandemic.

Support to B J Medical College, Pune

B J Medical College, Pune is an approved testing center for COVID-19. Your Bank, with 50-50 contribution from public, supported the College by providing it with 10 testing kits in two stages.

Support to Kannur Medical College, Kannur for providing My Lab Testing kits

Considering the rampant spread of the virus in Kasargod and Kannur Districts, the Govt of Kerala started a Viral Research and Development Lab for COVID-19 PCR testing at the Government Medical College, Pariyaram, Kannur. Your Bank supported the cause with 50-50 contribution from the public.

Disaster Management and Preventive Healthcare – Various Covid-19 projects

COVID-19 related projects were included under CSR by the MCA. Following are some important activities supported by your Bank-

- Construction of COVID-19 isolation rooms for City Armed Reserve Force Central, Bangalore
- Supplying 35 thermal scanners to police stations and offices in Kochi
- Purchase of N95 masks to be used by health workers at Medical College, Kottayam
- Raincoats supplied to Fire & Rescue Personnel, Fire Force Station, Gandhinagar, Ernakulam
- Supply of 500 units of PPE Kits for doctors and health workers in Ernakulam General Hospital

- Provisions for enhanced medical facilities in Alappuzha Town
- Distribution of re-usable masks in Angamaly Constituency
- Sanitising & fumigation of all our branches and ATMs for the safety of customers
- Mobile vaccination in Malappuram District
- Vaccine Distribution project in the State of Maharashtra by purchasing and supplying 100 Ice-lined refrigerators for storage of COVID-19 vaccines
- Setting up of basic amenities at COVID-19 first-line treatment centers at Alappuzha, Pala, Kalluvathukkal, Amarambalam, Thrissur, and Kozhencherry
- Setting up of walk-in sample collection kiosk for Kollam District Administration
- Supply of 35 Rain Coats for COVID-19 surveillance/containment duty for Police Force, at Vazhakulam
- Support to various organisations like Dalit Bahujan Resource Center, Kerala Pulaya Maha Sabha for relief measures in the wake of COVID-19
- 10 movable barricades in the context of COVID-19 containment activities to Kerala Police, Kollam rural district
- Support for transporting migrant workers to various destinations in Rajasthan from Chennai in four buses

Healthcare

Support to KEM Hospital to enhance medical facilities

KEM Hospital (King Edward Memorial Hospital), Pune, established in the year 1912 at Pune District of Maharashtra, is one of the largest Non-Government Organisation Hospitals in the region. Your Bank supported the hospital with specialised ventilators having HFO for their 50 bedded (Level 3) Neonatal ICU.

Sponsoring Trauma Care Units- Support to Sansad Mobile SwasthyaSeva, 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 April 14, 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 13,000 beneficiaries.





Management Discussion and Analysis (Contd...)

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

In 2017, your Bank joined hands with Sree Chithira Thirunal Institute for Medical Science & Technology for setting up a Comprehensive Center 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 provide 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. Phase II of the project which included sensory park and sensory room is completed and are setup at National Institute of Speech and Hearing (NISH), Thiruvananthapuram.

Promoting the Differently Abled- Various Projects

- Infrastructural support to School for the Blind, Aluva
- Support to the differently-abled and mentally challenged of Karuna Bhavan Social Center, Kalady
- Support to the differently-abled and mentally challenged of Karuna Bhavan, Malayattoor

Health Care- Various Projects

- Support to Christian Medical College, Ludhiana for procuring two ambulances with life support system
- Support to St. Gregorios Medical Mission Hospital, Parumala, Pathanamthitta for purchasing an ambulance with ICU system
- Support for purchasing Blood Bank Refrigerator for use in the blood bank to IMA Voluntary Donor Blood Bank, Ernakulam
- Infrastructural Support to Idukki Govt Medical College Hospital
- Infrastructural Support to District Autism Center, Sultan Bathery, Wayanad
- Support to Divyam Foundation for purchasing a vehicle for Palliative Care activities
- Support to Holy Family Hospital, Bandra for procuring Liga sure LS 10 tissue fusion instrument used to arrest bleeding during laparoscopic and open surgeries

Promoting Women Empowerment Project "SwayamSakthi"

Your Bank is supporting Drishtikona Consultancy and Program Management Services Pvt Ltd and partnering with Himalayan Social Institute for promoting 'SwayamSakthi'- a women empowerment project. The Project empowers girls who have not completed their education by providing them with 'Bridge Education'. Regular classes will be conducted under this initiative to impart knowledge, 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 for a better livelihood and career prospects. This is a one year programme and is being implemented at Madawala, Panchkula District of Haryana.

Women Empowerment –Various Projects

- Support to Christo Province for providing 10 sewing machines to underprivileged ladies, especially widows
- Support for providing 28 sewing machines to unemployed women in Mookkannoor Panchayath
- Support to 'Say Yes: Women for India@75' Initiative by CII-Indian Women Network (IWN)

Promoting Environment Sustainability & Swachh Bharat

SEED – Student Empowerment for Environment Development

To build awareness amongst student fraternity and conserve the earth's natural resources, your 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. Your Bank has been supporting this noble cause for the past eight years.

Support to Various District Administration Bodies

Your Bank provided support to various projects of different administrations, which include-

- Tirunelveli Municipal Corporation for installation of FRP Mobile Toilets in Tirunelveli for public use

Management Discussion and Analysis (Contd...)

- Greater Chennai Corporation for setting up Miyawaki forest at Balaji Nagar, Chennai
- Trivandrum Municipal Corporation for Providing Cloud Solution to Green Village Portal
- Trivandrum Municipal Corporation (TMC) for Waste Management Campaign 'EnteNagaram ,SundaraNagaram'

Eradicating Hunger & Poverty - Various Projects

- Supported Scalae Charitable Society for setting up a dryer unit (for food processing) for farmers
- Supported AkshayaPatra Foundation for distribution of food to 7,500 children of Karnataka for a period of 1 year through 'Happiness Box 'project
- Supplied 1.50 Lakhs Quarantine Kits costing approximately Rs. 300/- per kit, to Non-Resident Keralites returning home during the COVID-19 pandemic
- Supported Kerala Samajam, Bangalore for distributing essential grocery items to the needy in the wake of COVID-19
- Distributed essential grocery items to Convents in Ernakulam Parliament Constituency and to 16 Destitute Homes in Ernakulam in the wake of COVID-19
- Supported Bosco Integrated Development Society for providing food kits to Community School students in the state of Meghalaya

Promoting Sports & Culture

As a measure for empowering women and to promote sports among the women from the country and overseas, support was extended to the Women's team of Gokulam FC, run by M/s Gokulam Football Foundation, in the year 2020-21. The foundation is also running a campaign called 'Inspire Like a Girl', in connection with the Women's team, who are also the current champions of Indian Women's League.

Support to Kovalam FC, Vizhinjam was also provided with a target to uplifting talent within the underprivileged segment, providing livelihood and bringing them to the mainstream. The objective of the Club was to engage boys from the fishermen families, thereby preventing them from anti-social activities such as substance abuse. The club was also supported with a team bus for transportation purposes.

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, your Bank is gearing itself to bring the necessary systems in place to facilitate the Proforma submission to RBI. With respect to the various instructions from Ministry of Corporate Affairs and Reserve Bank of India (RBI), the actions taken by your 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
- The implementation of IT solution procured to automate the computation of Expected Credit Losses (ECL), Effective Interest Rate, Fair valuation and other accounting changes required under Ind AS is completed and your Bank is generating extracts from the system on a quarterly basis
- Your Bank is now in the process of implementing the other assessed changes required in existing IT architecture and other processes to enable smooth transition to Ind AS
- Your Bank is continuing to submit the quarterly progress report on the status of Ind AS implementation 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
- Training to the employees is imparted in a phased manner

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

SUBSIDIARY/ ASSOCIATES PERFORMANCE

As on March 31, 2021, your Bank has one unlisted wholly owned subsidiary - M/s. Federal Operations and Services Limited, and one unlisted subsidiary - M/s. Fedbank Financial Services Limited. Your Bank also has two Associate Companies - M/s. Ageas Federal Life Insurance Company Limited and M/s. Equisur Capital Private Limited.





Management Discussion and Analysis (Contd...)

FEDERAL OPERATIONS AND SERVICES LIMITED

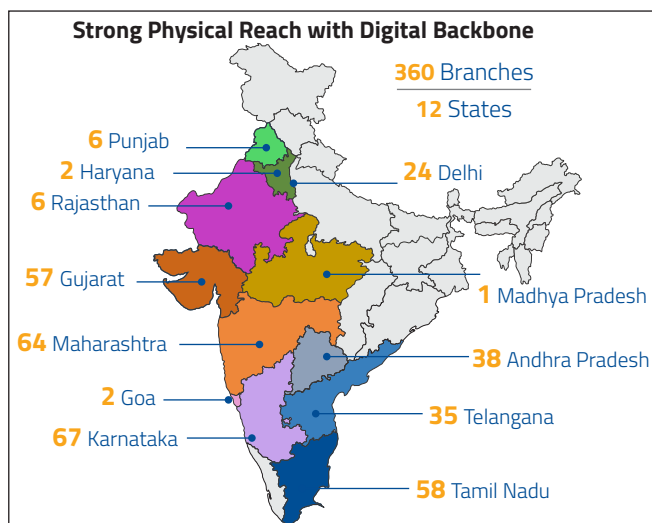
Federal Operations and Services Limited (FedServ) is a wholly owned subsidiary company of your Bank fully dedicated to operational and technology-oriented services of the Bank. The company has helped the Bank in re-engineering various operational activities and implement various process improvements since its inception. FedServ has been effective in providing support on 87 operational activities for the year ended March 31, 2021 and is expected to provide support on 30+ additional processes during FY 2021-22. FedServ's primary objective is to enhance the customer service level by up keeping and upgrading processes on a continuous basis while ensuring that all the perceived risks are duly mitigated.

FEDBANK FINANCIAL SERVICES LIMITED

Fedbank Financial Services Ltd. (Fedfina) started as a wholly-owned subsidiary of Federal Bank (the Bank) in year 1995, and was initially engaged in the distribution of Auto and Home Loans for the Bank. It received a non-bank finance company license in 2010 and is currently registered with the Reserve Bank of India as a systemically important non-deposit taking non-banking financial company (NBFC-ND-SI). As on March 31, 2021, Federal Bank holds 74% stake in Fedbank Financial Services Limited while True North (Large PE Fund formally known as India Value Fund) holds the residual 26% stake.

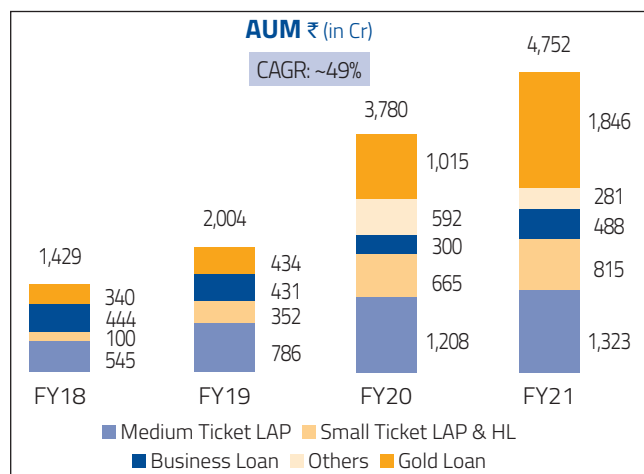
Growth Story

Fedfina is one of the fastest growing NBFCs in the secured lending space. With the vision of empowering emerging India with easy access to credit, the company caters to growing needs of both retail and commercial clients through a network of 360 branches in 12 states across India.



Diverse Product Suite

Fedfina has a wide range of financial solutions that help self-employed emerging Indian consumers meet its growing credit needs. The operations are divided into three categories: Retail Lending (Gold Loans, Loan against Property, Business Loans, Personal Loans, and Housing Loans), Wholesale Lending (loans to NBFCs and Construction loans) and Distribution Business (sourcing Housing Loans, Personal Loans, SME Loans for parent company).



During the year ending March 31, 2021, Fedfina ramped up its focus on the retail segments with a high emphasis on granularity and secured lending. The Gold Loan book has acted as an effective counter-cyclical hedge to MSME credit in a COVID-19 stressed year, as demonstrated by the change in its composition.

The AUM as on March 31, 2021 was ₹ 4752 Crore with ~86% of the portfolio secured by tangible assets.

Loan Composition	March 31, 2021	March 31, 2020
Retail	96%	90%
Gold Loans	39%	27%
Mortgage Loans/ Home Loans	45%	50%
Unsecured Business Loans	10%	8%
Micro Finance/Fintech Lending	2%	5%
Wholesale Finance	4%	10%

Performance in FY 2020-21

Gross revenues for FY 2020-21 grew by 48% to ₹ 696.41 Crore (PY ₹ 471.27 Crore) on the back of growth of 23% in the loan book during the year. Net profit grew 48% to ₹ 58.60 Crore (PY ₹ 39.54 Crore).

Management Discussion and Analysis (Contd...)

Revenue/ Profit Parameters

(₹ in Crore)

Financials per Indian GAAP	March 31, 2021	March 31, 2020	Chg (%)
Gross Revenue	696.4	471.3	48%
Net Interest Income	337	206	64%
Pre-provisioning Optg Profit	149.0	71.3	109%
Credit costs incl. write-offs [#]	76.6	14.7	420%
Profit after tax	58.6	39.5	48%

[#] The company took a one-time write-off of non-performing loans of ₹ 29 Cr

Net worth in FY 2020-21 grew 20% to ₹ 832 Crore and CRAR (computed based on Ind-AS financials per RBI norms) improved to 23.52%. During the year, Federal Bank has invested in equity shares of Fedfina amounting to ₹ 58.6 Crore

Fedfina carried enhanced liquidity buffers of ₹ 686 Crore as on March 31, 2021 in addition to the committed credit lines from Banks, in anticipation of any potential COVID-19 related stress to cash-flows.

(₹ in Crore)

	March 31, 2021	March 31, 2020	Chg (%)
Capital Parameters			
Net Worth	832.08	694.04	20%
Capital adequacy	23.52%	17.89%	563 bps
Balance Sheet			
Asset Size	5410	4035	34%
Loan Book	4492	3651	23%
Liquidity			
Cash, Bank & Liq. MFs	685.9	224.2	206%

Gross loan portfolio (on book) as on March 31, 2021 grew 21% to ₹ 4,492 Crore (PY ₹ 3,651 Crore). Total assets increased to ₹ 5,410 Crore (PY ₹ 4,035 Crore).

GNPAs fell below 1% on the back of a one-time technical write-off of ₹ 29 Crore.

Portfolio Quality	March 31, 2021	March 31, 2020	Chg (%)
GNPA (%)	0.98%	1.35%	34 bps
NNPA (%)	0.79%	1.16%	37 bps

Robust Risk & Governance Architecture

Fedfina established a robust Enterprise Risk Management (ERM) framework, approved by the Board (which has three Federal Bank nominees), which has enabled Fedfina to maintain net NPA levels below 1 per cent (among the lowest in the industry) and strong credit ratings. The Company has set up a Risk Management Committee (RMC) of the Board to assist the Board by supervising and assessing company's risk management principles, policies, strategies, processes and controls. This committee is supported by an Operational Credit and Risk Management Committee and Asset Liability Management Committee (ALCO).

Debt Rating

Fedfina's long-term debt is rated AA-/stable by India Ratings and its short-term debt is rated A1+ by ICRA, CRISIL & ACUITE, indicating the highest degree of safety regarding timely servicing of financial obligations.

Nurturing Human Talent with Enhanced People Focus

People focused initiatives led to Fedfina to receive the "Great Place to Work" (GPTW) certification for two consecutive years. The Company took a variety of staff wellness & safety related initiatives in light of the ongoing pandemic. Prioritising employee safety,





Management Discussion and Analysis (Contd...)

Fedfina established SOPs for working from home across a variety of functions. As company followed all the advisories by government and authorities, it launched employee benefit initiatives like Corona Kawach Insurance for all the employees, free COVID-19 tele-advisory, Ambulance on Call, oxygen cylinders to employees, etc.

Leverage Technology to Drive Efficiencies

Fedbank Financial Services strives to be a technology driven company, leveraging digital technology and data analytics across the customer life cycle. In view of this, Fedfina commissioned an integrated LOS & LMS for Gold Loan business with the capability to digitally on-board customers and also provide Door-Step Gold Loan services.

With the launch of customer self-service Mobile App & Web Portal in Q4'21, customers now can perform a host of borrowing and account management activities effortlessly from the comfort of their homes and/or workplace.

Fedfina is also in an advance stage of implementing fully digital workflow for instalment loan origination, underwriting and portfolio management. The company has already committed a significant investment in information technology systems and will continue to invest in technology to build scalable and efficient operating model.

AGEAS FEDERAL LIFE INSURANCE COMPANY LIMITED

Performance Summary

During FY 2020-21, Ageas Federal Life Insurance Company Limited (AFLIC) continued to play on its strengths which included best in class customer service, high customer retention, committed workforce among many others. This has helped to keep its overall premium growing over the prior year. AFLIC has witnessed strong growth in New Business Premium (NBP) to the tune of 13% and in Renewal Premium, recording 4% growth over last year. The Company has also increased its market share on APE basis as compared to the last year, despite the challenging business environment.

AFLIC has been agile and swiftly moved in line with macro-economic changes such as interest rates and performance of various financial markets thereby modifying its product suite to ensure balanced product mix for the company and at the same time, offer better terms to its customers.

In this backdrop of business performance and cost effectiveness, the Operating Cost Ratio (operating cost to gross written premium) decreased to 12.7% from 13.8% during the year. The Company registered a profit before tax of ₹ 134.98 Crore., down by 17% over

the earlier year due to higher provisioning of policy liabilities in lieu of prevailing interest rate scenario. The gross booked premium was ₹ 1,959 Crore, a growth of 6% over the previous year. Total New Business Premium for the year stood at ₹ 632 Crore, which increased by 13% over prior year. While business sourced is driven by customer needs, AFLIC has achieved a good balance between product segments with contribution of 50% from non-unit linked products. At ₹ 1,327 Crore, the renewal premium grew by 4% over the previous year.

Product

AFLI offers a comprehensive product suite of 23 plans designed to meet the varying life-stage requirements of its customers while ensuring financial protection for them and their families. During this financial year, AFLI has filed 6 new plans with IRDAI, launched 5 new products and modified 2 existing plans.

Risk Management Framework & Risk Mitigation Measures

Discipline is a key component of a visionary organisation. To this end, AFLI is continuously evolving its risk management framework for timely identification, intervention, and mitigation of risks. AFLI risk management structure is guided by development, implementation, and monitoring of financial and operational strategies.

AFLI is thus able to not only assess the risk but also ensure mitigation, thereby improving efficiencies and enhancing the value that AFLI delivers to its stakeholders. Further, our assessment process ensures timely response and decisions to minimise operational surprises and losses.

Cognizant of the strong connect between risk and return, the Company does not believe in risk avoidance and is rather focused on understanding and managing risks effectively. This approach helps the Company to identify the acceptable risks and optimise the same to achieve expected returns.

Risk Taxonomy continues to be a vital component of the Company's risk management framework and helps ensure a consistent and comprehensive approach to risk identification, assessment, monitoring and response. Guided by this mechanism, AFLI is able to highlight and define all the identified risks within the Company, which further helps it to improve the necessary risk management efforts. It also helps establish ownership of the various risk categories and provides a link to the overall governance structure of the Company.

Financial Risk is managed by putting fund-wise strategic asset allocation mix and various internal limit such as instrument concentration limits, duration limits etc in place. These limits are

Management Discussion and Analysis (Contd...)

monitored daily by the Middle Office and discussed at ALCO in its monthly meetings. In case of linked portfolios with minimum guarantees, the Company hedges the risk through duration matching/cash flow matching within the applicable regulatory boundaries. Moreover, the ALM system is in place to manage the interest rate risk, equity price risk, underwriting risks, liquidity risks etc. The Company has also put in place a credit review process to review the credit risk of Corporate Bonds and has also developed a stress testing framework in accordance with IRDAI's guidelines.

The company carries out Stress Tests on its portfolio for certain scenarios and basis the results of such stress test, decides to control risks by putting risk limits.

The Company has defined a Risk Control and Self-Assessment framework for identifying and monitoring key operational risks. Key Risk Indicators are used to report important operational risks to Senior Management and Risk Management Committee of the Board. Further, the Risk Department sends risk alerts, do's and do not's, posters, banners etc as part of this initiative to spread awareness and build the first line of defence.

EQUIRUS CAPITAL PRIVATE LIMITED

Based on Consolidated Financials, total Assets of Equirus Capital Private Limited stood at ₹ 91.32 Crore as on March 31, 2021 as against ₹ 64.62 Crore as on March 31, 2020. Total gross income earned by the Company during the financial year ended March 31, 2021 was ₹ 65.42 Crore as compared to ₹ 45.06 Crore during the previous financial year. Profit before tax posted by the Company for the financial year ended March 31, 2021 was ₹ 3.94 Crore as against the loss of ₹ 7.76 Crore reported in the previous financial year ended March 31, 2020. Profit after tax was ₹ 3.40 Crore for

the financial year ended March 31, 2021 as against loss of ₹ 8.32 Crore in the previous financial year.

As on March 31, 2021, the Company had following subsidiaries:

1. Equirus Securities Private Limited - Institutional broking business in cash and derivative segment
2. Equirus Wealth Private Limited – Wealth Management and PMS business
3. Equirus Insurance Broking Private Limited - General Insurance Broking

After the successful execution of the Antony Waste Handling IPO, the Company is seeing increased demand for its services in the area of M&A and Equity Capital Market. The Company will further increase its presence in the Fixed Income Market and Institutional Broking. For the Wealth Management through EWPL, the team has expanded to 10 locations this year to complete the first phase of expansion and help grow the AUM to ₹ 2,000+ Crore. This year we will add more locations along with a strong digital platform to make it the best omni-channel wealth platform. The Company's PMS business has become one of the top funds in its category and has now grown to ₹ 300+ Crore AUM, and we are expecting to enhance it further by adding international distribution to it.

Risk Mitigation Measures

A risk management policy/plan of the Company is in place to ensure sustainable business growth with stability and to promote a pro-active approach in reporting, evaluating and resolving risks associated with the business. In order to achieve the key objective, the policy establishes a structured and disciplined approach to Risk Management.





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, 2021 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. Your 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 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 February 16, 2021 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 Non-Independent Director. The Board of Directors/Committees of Board periodically review 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, 2021, Bank's Board consists of 11 members. Besides the Chairperson, a Non-Executive Non-Independent Woman Director, the Board comprises of seven Non-Executive Independent Directors including a woman independent director and three Executive 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 and the 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 have 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 Non-Independent Director	1	9.09
Mr. C Balagopal	Non - Executive Independent Directors	7	63.64
Mr. A P Hota			
Mr. K. Balakrishnan			
Mr. Siddhartha Sengupta	Executive Directors	3	27.27
Mr. Manoj Fadnis			
Mr. Sudarshan Sen			
Ms. Varsha Purandare			
Mr. Shyam Srinivasan			
Mr. Ashutosh Khajuria			
Ms. Shalini Warriar			

Corporate Governance Report (Contd...)

During the year, Ms. Varsha Purandare (DIN: 05288076) was appointed as an Additional Non-Executive Independent Director on the Board of the Bank effective from September 08, 2020. The shareholders in the 89th Annual General Meeting held on July 16, 2020 approved the appointment of Mr Sudarshan Sen (DIN:03570051) as Independent Director of the Bank for a period of five (5) years with effect from the date of his appointment by the Board. The shareholders in the 89th Annual General Meeting held on July 16, 2020 approved the appointment of Ms. Grace Koshie (DIN: 06765216) as Non-Executive Non- Independent Director of the Bank with effect from July 17, 2020 till November 21, 2021. The shareholders further approved the appointment of Ms. Shalini Warriar (DIN: 08257526) as an Executive Director of the Bank in the 89th AGM held on July 16,2020.

Ms. Shubhalakshmi Panse (DIN- 02599310), Independent Director of the Bank, retired from the Directorship of the Bank effective from July 17, 2020, upon completion of two terms as an Independent Director on the Board of the Bank, in accordance with the regulatory requirements of RBI/ MCA. The Board placed its appreciation for the valuable contributions made by her for the overall development of the Bank.

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, 2020 with the approval of RBI vide its letter DoR. Appt.No 87/08.38.001/2020-21 dated July 16, 2020.

Mr. Ashutosh Khajuria (DIN: 05154975), Executive Director and Chief Financial Officer was re-appointed as the Executive Director of the Bank effective from April 01, 2021 to April 30,2022 with the approval of RBI vide its letter DOR. GCA- CB.No. 2145/08.38.001/2020-21 dated January 01, 2021.

The Shareholders approved the re-appointment of Mr. Shyam Srinivasan as Managing Director and Chief

Executive Officer of the Bank and Mr. Ashutosh Khajuria as an Executive Director of the Bank in the 89th AGM held on July 16, 2020.

B. Number of Board Meetings

During the Financial Year 2020-21, the Board of Directors met fifteen times on April 20, 2020, May 28, 2020, June 09, 2020, June 19, 2020, July 08, 2020, July 15, 2020, September 08, 2020, September 24, 2020, October 16, 2020, November 30, 2020, December 19, 2020, January 20, 2021, February 16, 2021, March 17, 2021 and March 25, 2021. 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.





Corporate Governance Report (Contd...)

Relevant details of the Board of Directors of the Bank as on March 31, 2021 are given below:

Name of the Director	Attendance Particulars			Attendance at the last AGM held on 16.07.2020	No. of other Directorships and Committee Memberships /Chairmanships held*			Shareholding in the Bank (equity shares of 2/- each) (As on March 31, 2021)
	No. of Board Meetings Held	Attended			Other Directorships	Committee Memberships	Committee Chairmanships	
Ms. Grace Koshie	15	15	Yes	2	1	1	Nil	
Ms. Shubhalakshmi Panse ¹	15	6	Yes	Retired from the position of Independent Director of the Bank w.e.f. July 17, 2020 on completion of two terms as Independent Director				
Mr. C Balagopal	15	14	Yes	1	Nil	Nil	Nil	
Mr. A P Hota	15	14	Yes	3	3	Nil	Nil	
Mr. K Balakrishnan	15	14	Yes	1	1	Nil	60,500 equity shares	
Mr. Siddhartha Sengupta	15	15	Yes	1	2	1	Nil	
Mr. Manoj Fadnis	15	15	Yes	4	1	4	Nil	
Mr. Sudarshan Sen	15	15	Yes	1	1	Nil	Nil	
Ms.Varsha Purandare ²	15	6	NA	7	5	2	Nil	
Mr. Shyam Srinivasan	15	15	Yes	2	Nil	Nil	7,98,595 equity shares	
Mr. Ashutosh Khajuria	15	14	Yes	1	1	Nil	4,52,000 equity shares	
Ms. Shalini Warriar	15	15	Yes	2	1	Nil	Nil	

¹Mr. Shubhalakshmi Panse retired from the position of Independent Director of the Bank w.e.f. July 17, 2020.

²Ms. Varsha Purandare joined as Additional Director (Independent) of the Bank w.e.f. September 08, 2020.

Note:

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.

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 have 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:

Corporate Governance Report (Contd...)

Board Skill Matrix

Whether the skill set/area of expertise/knowledge is possessed by the Director of the Company

Skill set/Area of expertise/ Knowledge	Ms. Grace Koshie	Mr. C. Balago- pal	Mr. A P Hota	Mr. K. Bal- akrish- nan	Mr. Sid- dhartha Sengupta	Mr. Manoj Fadnis	Mr. Su- darshan Sen	Ms. Varsha Puran- dare	Mr. Shyam Srini- vasan	Mr. Ashutosh Khajuria	Ms. Shalini warrier
KNOWLEDGE											
Specialisation / Expertise in one or more fields	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
• In the field of:											
Banking	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Economics	Yes	Yes	-	Yes	-	Yes	Yes	-	-	-	Yes
Governance	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Compliance	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Agriculture	-	Yes	-	-	-	-	-	-	-	Yes	-
Rural Economy	-	Yes	-	-	-	-	-	-	-	-	-
Information Technology	-	-	Yes	-	-	-	-	Yes	Yes	-	Yes
Payment and Settlement Systems	-	-	Yes	-	-	-	-	-	Yes	-	Yes
Investment Banking	-	-	-	Yes	-	Yes	-	-	-	-	-
Finance	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Accountancy	-	-	-	Yes	-	Yes	Yes	-	-	Yes	Yes
Management	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Risk Management	Yes	-	-	-	Yes	-	Yes	-	Yes	Yes	-
Credit	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Treasury Operations	-	-	-	-	Yes	-	Yes	Yes	Yes	Yes	-
SSI	Yes	Yes	-	-	Yes	-	-	Yes	-	Yes	-
Retail Lending	-	-	-	-	-	-	-	Yes	Yes	-	Yes
Wealth Management	-	-	-	-	-	-	-	-	Yes	-	Yes
SME Banking	-	-	-	-	Yes	-	-	Yes	Yes	-	Yes
Investment	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

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 a 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 succeeding meetings for information of the Board/ Committees.

The Board has established procedures to periodically review compliance reports 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, 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 ₹ 2,31,11,470.00 (gross), Mr. Ashutosh Khajuria, Executive Director and Chief Financial





Corporate Governance Report (Contd...)

Officer was paid ₹ 1,16,62,324.00 (gross) (excluding value of stock options exercised during the year) and Ms. Shalini Warriar, Executive Director & Chief Operating Officer was paid ₹ 1,08,66,271.00 (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 and Profit Related Commission 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 2020-21, 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 Directors are paid sitting fees as per the provisions of Companies Act, 2013 and as per SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 as indicated below:

Sr. No.	Name of Directors	Sitting fee paid to Non-Executive Directors for FY 2020-21 (in ₹)
1	Ms. Grace Koshie	20,70,000
2	Ms. Shubhalakshmi Panse	6,90,000
3	Mr. C Balagopal	21,45,000
4	Mr. A P Hota	22,50,000
5	Mr. K Balakrishnan	19,75,000
6	Mr. Siddhartha Sengupta	25,80,000
7	Mr. Manoj Fadnis	20,70,000
8	Mr. Sudarshan Sen	21,90,000
9	Ms. Varsha Purandare	12,00,000

Note: In addition to above sitting fees;

- ₹ 18 Lakhs was paid to Ms. Grace Koshie towards honorarium
- ₹ 5.00 lakhs each were paid to Ms. Shubhalakshmi Panse, Mr. C Balagopal, Mr. A P Hota and Mr. K Balakrishnan towards profit related commission.
- ₹ 4.00 lakhs each were paid to Mr. Siddhartha Sengupta and Mr. Manoj Fadnis towards profit related commission.
- ₹ 0.68 lakhs and ₹ 1.15 lakhs were paid to Mr. Sudarshan Sen and Mr. Nilesh Vikamsey respectively towards profit related commission
- In the current stressful environment of the pandemic and on the lines of the gesture of the WTDs and Senior Management to take a cut/ forego their PLI, the Chairperson of the Board had expressed her desire to forego the profit related commission ₹ 3,01,370 for the period upto November 06, 2019 i.e., till the date of her appointment as Part Time Chairperson of the Bank.

The details of remuneration paid to Mr. Shyam Srinivasan, MD & CEO, Mr. Ashutosh Khajuria and Ms. Shalini Warriar, Executive Directors during FY 2020-21 are as under:

Particulars	Mr. Shyam Srinivasan MD & CEO (₹)	Mr. Ashutosh Khajuria ED & CFO (₹)	Ms. Shalini Warriar ED & COO (₹)
Basic Pay	19125000.00	2600004.00	2600004.00
Allowances & Perquisites ¹	3986470.00	7762320.00	7166267.00
Stock Option (Perquisites)**	Nil	3045000.00	Nil
Severance fees	Nil	Nil	Nil
Performance Linked Incentive	Nil	1300000.00	1100000.00
Total***	23111470.00	11662324.00	10866271.00

** This includes perquisite value of stock options granted and vested in previous years, and exercised during the financial year 2020-21.

*** Does not include the value of stock options exercised during the year 2020-21, if any

Note:

- In addition to above, employer contribution to Provident Fund of ₹ 19,12,500/- was paid to Mr. Shyam Srinivasan, MD & CEO, ₹ 2,60,004/- was paid to Mr. Ashutosh Khajuria, Executive Director & CFO and ₹ 2,60,004/- to Ms. Shalini Warriar, Executive Director during the FY 2020-21.

Corporate Governance Report (Contd...)

2. 2,00,000 number of options was exercised by Mr. Ashutosh Khajuria under ESOS 2010 during the year under review.
3. RBI vide letter DoR.Appt.No 87/08.38.001/2020-21 dated July 16, 2020 approved the revised compensation in respect of Mr. Shyam Srinivasan, MD & CEO for the period from September 23, 2020 to September 22, 2021. However, MD & CEO has relinquished the revised benefits till December 31, 2020 on account of current stressful environment of the pandemic and the revised compensation was paid to him from January 01, 2021 only.

G. Independent Directors

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 SEBI (Listing Obligations & Disclosure 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

All the Independent Directors attended the meeting. In accordance with SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015, following matters were, 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.

In addition to the above mentioned meeting, one meeting of the Independent directors was held on June 19, 2020 for considering performance evaluation of Board, Committees and assessment of Flow of Information for FY20. The meeting also considered performance evaluation of Non-Independent Directors and Chairperson for the FY 2019-20.

A separate meeting of the Independent Directors of the Bank was held on June 15, 2021 for consideration of performance evaluation for FY 2020-21 of Executive Directors.

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 the specific quantum and coverage of risks as determined by the Board of Directors of the Bank





Corporate Governance Report (Contd...)

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. Contribution to discussions on strategy as opposed to focus only on agenda
- iv. Constructive and active participation in the Committees of the Board in which they are Members.
- v. Exercises 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 the Directors' Report. In the opinion of the Board, Independent Directors 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.

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 & Disclosure 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, 2021, Audit Committee comprises of members as stated below. The composition of the Committee is in conformity with the regulatory requirements.

During the financial year 2020-21, the Audit Committee met 12 (Twelve) times on May 18, 2020, May 28, 2020, July 15, 2020, August 05, 2020, August 21, 2020, October 12, 2020, October 16, 2020, November 24, 2020, January 20, 2021 and February 11, 2021, March 12, 2021 and March 23, 2021. The time gap between any two meetings was less than one hundred and twenty days.

The details of attendance of members and composition are as under:

Name of the Member	Category	Status	No. of Meetings	
			Held	Attended
Mr. Manoj Fadnis	Independent Director	Chairman	12	12
Ms. Grace Koshie ¹	Non-Executive Non-Independent Director	Member till 08.09.2020	12	5
Mr. A P Hota	Independent Director	Member	12	10
Mr. Sudarshan Sen ²	Independent Director	Member from 08.09.2020	12	7
Ms. Shalini Warriar ³	Executive Director	Ceased to be a member on 04.08.2020 and joined as a Member w.e.f 08.09.2020	12	10

¹Ms. Grace Koshie ceased to be a member of the Committee on September 08, 2020.

²Mr. Sudarshan Sen joined as a member of the committee w.e.f. September 08, 2020.

³Ms. Shalini Warriar joined as a member on April 30, 2020 and ceased to be a member on 04.08.2020. She re-joined as a Member of the Committee again w.e.f. 08.09.2020.

During the financial year 2020-21, the Committee was re-constituted thrice on April 30, 2020, August 04, 2020 and September 08, 2020.

Ms. Manoj Fadnis, who was the Chairperson of Audit Committee, attended the AGM held on July 16, 2020.

Corporate Governance Report (Contd...)

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. Reviewing, 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. Reviewing the findings of any internal investigations by the internal auditors or vigilance officials into matters where there is actual or 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. Reviewing 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





Corporate Governance Report (Contd...)

- 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. Reviewing, 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. Monitoring 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.

Corporate Governance Report (Contd...)

30. Review arrangements by which staff of the bank may confidentially raise concerns about possible improprieties in matters of financial reporting.
 31. Reviewing 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.
 38. Constitute a Committee of Executives named the Inspection Review Committee of Executives to oversee the Inspection and Audit functions and review the structure and functions of the Committee periodically.
- 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,

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.





Corporate Governance Report (Contd...)

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

- 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.
- The chairperson of the committee shall be present at Annual general meeting to answer shareholder queries.
- The Company Secretary shall act as the secretary to the Audit committee.
- The minutes of the Committee meetings and decisions taken by the Committee shall be promptly submitted to the Board.
- 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, 2021, 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 2020-21, the Nomination, Remuneration, Ethics and Compensation Committee met

07 (Seven) times on April 29, 2020, June 04, 2020, July 16, 2020, July 28, 2020, August 18, 2020, January 15, 2021, and February 10, 2021.

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	Independent Director	Chairman	07	07
Ms. Grace Koshie	Non-Executive Non-Independent Director	Member	07	07
Mr. AP Hota ¹	Independent Director	Member	07	04
Ms. Shubhalakshmi Panse ²	Independent Director	Member till 17.07.2020	07	03

¹Mr. AP Hota joined as a member of the Committee effective from July 21, 2020.

²Ms. Shubhalakshmi Panse ceased to be a member of the Committee consequent to retirement from the Board of the Bank w.e.f July 17, 2020.

During the financial year 2020-21, the Committee was re-constituted once on July 21, 2020.

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

- 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;
- 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;
- Recommending to the Board, candidates for election (including re-election) or appointment (including reappointment) to the Board.
- Carrying out evaluation of every director's performance.
- 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.

Corporate Governance Report (Contd...)

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. Stakeholders Relationship Committee

Composition and Meetings

As on March 31, 2021, Stakeholders Relationship Committee consists of members as stated below. The

composition of the Committee is in conformity with the regulatory requirements.

During the financial year 2020-21, the Committee met One (01) time on March 24, 2021

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

Name of the Member	Category	Status	No. of Meetings	
			Held	Attended
Mr. A P Hota	Independent Director	Chairman	01	01
Mr. C Balagopal	Independent Director	Member	01	01
Mr. Shyam Srinivasan	Executive Director	Member	01	01
Mr. Ashutosh Khajuria	Executive Director	Member	01	01

During the financial year 2020-21, no re-constitution of the Committee took place.

Mr. Samir P Rajdev, VP & Company Secretary acts as the Compliance Officer.

Mr. A P Hota was present at the 89th Annual General Meeting of the Bank to answer shareholders queries.

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. Resolve, 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.





Corporate Governance Report (Contd...)

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 2020-21 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	4	4	Nil

As on March 31, 2021, apart from the complaints, around 736 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 Committee

Composition and Meetings

As on March 31, 2021, the Credit Committee of the Board consist of members as stated below. The composition of the Committee is in conformity with the regulatory requirements.

During the financial year 2020-21, the Committee met Eleven (11) times on June 16, 2020, July 09, 2020, September 18, 2020, October 27, 2020, November 13, 2020, December 14, 2020, December 30, 2020, January 29, 2021, February 11, 2021, March 12, 2021 and March 22, 2021

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	11	11
Mr. Siddhartha Sengupta	Independent Director	Member	11	11
Mr. C Balagopal ¹	Independent Director	Member	11	10
Ms. Varsha Purandare ²	Independent Director	Member	11	06
Mr. Shyam Srinivasan	Executive Director	Member	11	10
Mr. Ashutosh Khajuria	Executive Director	Member	11	09

¹Mr. C Balagopal joined as a member of the Committee effective from April 30, 2020

²Ms. Varsha Purandare joined as a member of the Committee effective from September 08, 2020.

During the year 2020-21, the Committee was re-constituted twice on April 30, 2020 and September 08, 2020.

Terms of Reference of Credit Committee

1. Consider proposals for approval, renewal, or modification of various types of funded and non-funded credit facilities to clients.
2. Monitor the credit exposures of the Bank, review the adequacy of the credit risk and compliance of statutory and regulatory norms.
3. Periodically review the large corporate 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.

Corporate Governance Report (Contd...)

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.
8. Committee shall recommend the compromise proposals beyond their power to the Board of Directors for approval.
9. Status report of the position of assets sold to ARCs under Security Receipt Basis held as investment.
10. Any other matter of materialist information that management deems fit for reporting to the committee for noting, review, ratification or approval.

E. Investment and Raising Capital Committee

Composition and Meetings

As on March 31, 2021, 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 2020-21, the Committee met five (05) times on May 21, 2020, July 09, 2020, August 25, 2020, November 20, 2020 and February 26, 2021

The details of attendance of members are given below:

Name of the Member	Category	Status	No. of Meetings	
			Held	Attended
Mr. Siddhartha Sengupta	Independent Director	Chairman	5	5
Mr. C Balagopal ¹	Independent Director	Member	5	3
Mr. Sudarshan Sen ²	Independent Director	Member	5	3
Ms. Varsha Purandare ³	Independent Director	Member	5	2
Mr. Shyam Srinivasan ⁴	Executive Director	Member	5	5
Mr. Ashutosh Khajuria	Executive Director	Member	5	5

¹Mr.C Balagopal ceased to be a member of the Committee w.e.f. September 08, 2020.

²Mr.Sudarshan Sen joined as a member on April 30, 2020 and ceased to be a member of the Committee w.e.f. September 08, 2020

³Ms. Varsha Purandare joined as a member of the Committee effective from September 08, 2020.

⁴Mr.Shyam Srinivasan joined as a member of the Committee on April 30, 2020.

During the year 2020-21, the Committee was re-constituted twice on April 30, 2020 and September 08, 2020.

Terms of Reference for the Investment and Raising Capital Committee

1. Consider proposals for approval of Investments of the Bank within such authority as delegated to it by the Board from time to time.
2. Approve the Policies related to the Treasury Investment and Trading activities and recommend the same to the Board.
3. Approve the new products launched by the Treasury Department and recommend the same to the Board.
4. Review of the investment activities, risk management thereof, and policies, internal control systems and compliance of statutory, regulatory and other applicable norms.
5. Approve the capital raising program of the Bank and recommend the same to the Board.
6. 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.

F. Risk Management Committee

Composition and Meetings

As on March 31, 2021, the Risk Management Committee consist of members as stated below. The composition of the Committee is in conformity with the regulatory requirements.

During the financial year 2020-21, the Committee met 6 (Six) times on May 12, 2020, August 19, 2020, August 25, 2020, November 11, 2020, January 16, 2021 and February 18, 2021.

Name of the Member	Category	Status	No. of Meetings	
			Held	Attended
Ms. Shubhalakshmi Panse ¹	Independent Director	Chairperson till 17.07.2020	06	01
Mr. Sudarshan Sen ²	Independent Director	Chairman from 04.08.2020	06	06
Ms. Grace Koshie ³	Non-Executive Non-Independent Director	Member	06	03
Mr. A P Hota ⁴	Independent Director	Member	06	02





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Name of the Member	Category	Status	No. of Meetings	
			Held	Attended
Mr. Siddhartha Sengupta	Independent Director	Member	06	06
Mr. Shyam Srinivasan	Executive Director	Member	06	06
Mr. Ashutosh Khajuria	Executive Director	Member	06	06

¹Ms. Shubhalakshmi Panse ceased to be a member of the Committee effective from July 17, 2020 on retirement from the Board of the Bank.

²Mr. Sudarshan Sen Joined as Member w.e.f. 30.04.2020 became Chairman of the Committee w.e.f. 04.08.2020

³Ms. Grace Koshie ceased to be a member of the Committee on April 30, 2020 and Joined as Member on 08.09.2020

⁴Mr. A P Hota Joined as a member w.e.f. 04.08.2020 and Ceased to be a member w.e.f. 08.09.2020

During the financial year 2020-21, the Committee was re-constituted thrice on April 30, 2020, August 04, 2020 and September 08, 2020.

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.

- a. 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.
- b. Review the Risk Appetite framework formulated in line with bank's strategy and recommend the same to the board for approval.
- c. 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).
- d. Recommend to the Board policies and guidelines for measurement, management and reporting of credit risk, market risk and operational risk.
- e. Recommend to the Board risk mitigation and stop-loss parameters in respect of all the three risks. Ensure adherence to the risk appetite limits set by the Board.
- f. Ensure management processes (including people, systems, operations, limits and controls) for implementing risk management systems.
- g. Ensure robustness and effectiveness of financial / rating models and their appraisal systems for assessing various risks faced by the Bank.
- h. Review of the Internal Capital Adequacy Assessment Process. (ICAAP)
- i. 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.
- j. 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.
- k. Decide/approve adoption of technology/appropriate and adequate MIS system needed for risk management.
- l. 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.
- m. 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.
- n. Review of procedure for product approval
- o. Review of Stress Testing methodology and Stress Scenarios, stress testing results and monitor the actions plans and corrective measures. Decide additional provision requirements on exposure to stressed sectors.
- p. Review of Liquidity risk management including Contingency Funding Plans and contingency funding under stress scenario.
- q. 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".

Corporate Governance Report (Contd...)

Powers of the Risk Management Committee (RMC)

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

- a) 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/Default 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) Monitor and review the non-compliance, limit breaches, audit / regulatory findings, and policy exceptions with respect to risk management.
- n) Recommending to the Board to approve reviews on assessment, monitoring and controlling of non-quantifiable risks like strategic risk, reputation risk etc.

G. Customer Service, Marketing Strategy & Digital Banking Committee

As on March 31, 2021, the Customer Service, Marketing Strategy & Digital Banking Committee consist of members

as stated below. The composition of the Committee is in conformity with the regulatory requirements.

During the financial year 2020-21, the Committee met 3 (three) times on August 26, 2020, November 24, 2020 and March 04, 2021.

Name of the Member	Category	Status	No. of Meetings	
			Held	Attended
Mr. C Balagopal ¹	Independent Director	Chairman till April 30, 2020	03	Nil
Mr. A P Hota ²	Independent Director	Member till April 30, 2020	03	Nil
Mr. Siddhartha Sengupta ³	Independent Director	Member till April 30, 2020	03	Nil
Mr. K Balakrishnan ⁴	Independent Director	Chairman from April 30, 2020	03	03
Ms. Grace Koshie ⁵	Non-Executive Director	Member from April 30, 2020	03	03
Ms. Shalini Warriar ⁶	Executive Director	Member from April 30, 2020	03	03
Ms. Varsha Purandare ⁷	Independent Director	Member from September 08, 2020	03	02
Mr. Shyam Srinivasan	Executive Director	Member	03	03

¹Mr.C Balagopal ceased to be a member of the Committee on April 30, 2020.

²Mr. A P Hota ceased to be a member of the Committee on April 30, 2020.

³Mr. Siddhartha Sengupta ceased to be a member of the Committee on April 30, 2020.

⁴Mr.K Balakrishnan joined as a member of the Committee and became Chairman of the Committee w.e.f April 30, 2020.

⁵Ms.Grace Koshie joined as a member of the Committee w.e.f April 30, 2020.

⁶Ms.Shalini Warriar joined as a member of the Committee w.e.f April 30, 2020.

⁷Ms.Varsha Purandare joined as a member of the Committee w.e.f September 08, 2020

During the financial year 2020-21, the Committee was re-constituted twice on April 30, 2020 and September 08, 2020.





Corporate Governance Report (Contd...)

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. Policy on settlement of claims Related to assets of deceased customers
 - 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
13. Review of details of claims received from legal heirs of deceased depositors/locker hirers/depositors of safe custody articles and pending cases beyond the stipulated period, on a yearly basis.

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

Corporate Governance Report (Contd...)

H. Special Committee of the Board for Monitoring and Follow up of Cases of Frauds

Composition and Meetings

As on March 31, 2021, the Special Committee of the Board for Monitoring and Follow up of Cases of Frauds consist 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 2020-21, the Committee met 3 (Three) times on June 10, 2020, November 06, 2020, and February 25, 2021.

Name of the Member	Category	Status	No. of Meetings	
			Held	Attended
Mr. Shyam Srinivasan	Executive Director	Chairman	03	03
Ms. Grace Koshie	Non-Executive Non-Independent Director	Member	03	03
Ms. Shubhalakshmi Panse ¹	Independent Director	Member till April 30, 2020	03	Nil
Mr. Manoj Fadnis	Independent Director	Member	03	03
Mr. Ashutosh Khajuria	Executive Director	Member	03	02
Ms. Shalini Warriar ²	Executive Director	Member from April 30, 2020	03	03

¹ Ms. Shubhalakshmi Panse ceased to be a member of the Committee w.e.f April 30, 2020.

² Ms. Shalini Warriar joined as a member of the Committee w.e.f April 30, 2020

During the financial year 2020-21, the Committee was re-constituted once on April 30, 2020.

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:

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

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 ₹ 100 lakh and above shall be reported to the Special Committee of the Board for Monitoring & follow up of cases of Frauds (SCBF) immediately on detection through Circular Resolution Memorandum, followed by placing the Noting of the Circular Resolution before the immediate next meeting of SCBF.

In addition to the monitoring and review of frauds of ₹ 100 Lakh and above,

- 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.
- 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.

I. Committee for Human Resources Policy

Composition and Meetings

As on March 31, 2021, the Committee for Human Resources Policy consist of members as stated below. The composition of the Committee is in conformity with the regulatory requirements.





Corporate Governance Report (Contd...)

During the financial year 2020-21, the Committee met 2 (two) times August 10, 2020 and January 28, 2021.

Name of the Member	Category	Status	No. of Meetings	
			Held	Attended
Mr. Siddhartha Sengupta	Independent Director	Chairman	02	02
Mr. K Balakrishnan	Independent Director	Member	02	02
Mr. Manoj Fadnis	Independent Director	Member	02	02
Mr. Shyam Srinivasan	Executive Director	Member	02	02

During the financial year 2020-21, no re-constitution of the Committee took place.

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

- To Review HR Strategy aligning with business strategy of the Bank.
- Periodic review of existing HR policy of the Bank.
- To review productivity levels of employees benchmarking with peers in the industry.
- To review compensation policy of the Bank.
- To review outsourcing Policy of the Bank.
- To review Learning Initiatives.
- To review Talent pool creation/ Succession Planning Policy.
- To review Skill gaps and Talent pool creation/ Succession Planning.
- To review Funding Superannuation Policy.
- To review periodic HR Plans and Activities.

J. 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, 2021, the Information Technology & Operations Committee consist of members as stated below. The composition of the Committee is in conformity with the regulatory requirements.

During the financial year 2020-21, the Committee met 4 (four) times on July 06, 2020, November 02, 2020, February 12, 2021 and March 24, 2021.

Name of the Member	Category	Status	No. of Meetings	
			Held	Attended
Mr. A P Hota	Independent Director	Chairman	04	04
Ms. Shubhalakshmi Panse ¹	Independent Director	Member	04	01
Mr. Manoj Fadnis ²	Independent Director	Member	04	Nil
Ms. Varsha Purandare ³	Independent Director	Member	04	03
Mr. Shyam Srinivasan	Executive Director	Member	04	04
Ms. Shalini Warriar ⁴	Executive Director	Member	04	04

¹ Ms. Shubhalakshmi Panse ceased to be a member of the Committee consequent to retirement from the Board of the Bank w.e.f July 21, 2020.

² Mr. Manoj Fadnis ceased to be a member of the Committee effective from April 30, 2020

³ Ms. Varsha Purandare joined as a member of the Committee w.e.f September 08, 2020.

⁴ Ms. Shalini Warriar joined as a member of the Committee w.e.f April 30, 2020

During the financial year 2020-21, the Committee was re-constituted twice on April 30, 2020 and September 08, 2020.

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

- Approving IT strategy and policy documents and reviewing the same from time to time.
- Ensuring that the management has put an effective strategic planning process in place.
- Ensuring that the IT strategy is indeed aligned with business strategy.
- Ensuring that the IT organizational structure complements the business model and its direction.

Corporate Governance Report (Contd...)

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

K. Corporate Social Responsibility Committee

As on March 31, 2021, the Corporate Social Responsibility Committee (CSR Committee) consist of members as stated below. The composition of the Committee is in conformity with the regulatory requirements.

During the financial year 2020-21, the CSR Committee met 3 (three) times on May 11, 2020, November 17, 2020 and March 06, 2021.

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	03
Mr. Ashutosh Khajuria	Executive Director	Member	03	03
Ms. Shalini Warriar ¹	Executive Director	Member	03	03

¹Ms. Shalini Warriar joined as a member of the Committee w.e.f April 30, 2020.

During the year, the Committee was re-constituted once on April 30, 2020.

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





Corporate Governance Report (Contd...)

social responsibilities in a responsible and effective manner.

4. Recommend the amount of expenditure to be incurred on the activities undertaken by the Bank.
5. Overseeing Environmental, Social and Governance (ESG) Reporting and review of various activities of the Bank under the prescribed ESG Framework.

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 "Corporate Social Responsibility"

L. Review Committee of the Board on Non Co- Operative Borrowers

As on March 31, 2021, the Review Committee of the Board on Non Co- Operative Borrowers consist of members as stated below. The composition of the Committee is in conformity with the regulatory requirements.

During the financial year 2020-21, no meeting of the Review Committee of the Board on Non Co- Operative Borrowers was held.

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	Nil	Nil
Mr. K Balakrishnan ¹	Independent Director	Member	Nil	Nil
Mr. Manoj Fadnis	Independent Director	Member	Nil	Nil
Mr. Sudarshan Sen ²	Independent Director	Member	Nil	Nil

¹ Mr. K Balakrishnan ceased to be a member of the Committee effective from April 30, 2020.

² Mr. Sudarshan Sen joined as member of the Committee effective from April 30, 2020.

During the financial year 2020-21, the Committee was reconstituted once on April 30, 2020.

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.

M. Review Committee of the Board for Wilful Defaulters

As on March 31, 2021, the Review Committee of the Board for Wilful Defaulters consist of members as stated below. The composition of the Committee is in conformity with the regulatory requirements.

During the financial year 2020-21, the Review Committee of the Board for Wilful Defaulters met 1 (One) time on February 25, 2021.

Name of the Member	Category	Status	No. of Meetings	
			Held	Attended
Mr. Shyam Srinivasan	Executive Director	Chairman	01	01
Mr. K Balakrishnan ¹	Independent Director	Member	01	Nil
Ms. Grace Koshie ²	Non-Executive Non-Independent Director	Member	01	Nil
Mr. C Balagopal ³	Independent Director	Member	01	01
Mr. Sudarshan Sen ⁴	Independent Director	Member	01	01

¹ Mr. K Balakrishnan ceased to be a member of the Committee effective from April 30, 2020

² Ms. Grace Koshie ceased to be a member of the Committee effective from April 30, 2020

³ Mr. C Balagopal joined as member of the Committee effective from April 30, 2020

⁴ Mr. Sudarshan Sen joined as member of the Committee effective from April 30, 2020

Corporate Governance Report (Contd...)

During the financial year 2020-21, the Committee was re-constituted once on April 30, 2020.

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, 2021, the Bank has two Associate Companies, a Joint Venture Life Insurance Company, named Ageas Federal Life Insurance Company Limited (Formerly known as IDBI Federal Life Insurance Co Ltd.) and an Investment Banking subsidiary named Equirus Capital Private Limited.

The Directors of the Bank who are also in the subsidiary/associate companies as on March 31, 2021 are as follows:

- Mr. Shyam Srinivasan, Managing Director and Chief Executive Officer (MD & CEO), Mr. Ashutosh Khajuria, Executive Director 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 of the Bank are Non-Executive Directors in Federal Operations and Services Ltd . Mr. C Balagopal holds the position of Chairman in FedServ.
- Mr. Shyam Srinivasan, MD & CEO and Ms. Shalini Warriar, ED of the Bank, are Non-Executive Directors in Ageas Federal Life Insurance Company Limited.

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 - 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 Resolution

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 Resolution

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.

Name of Meeting - 89th Annual General Meeting

Day, Date and Time of Meeting - Thursday, July 16, 2020 at 11.00 AM

Venue - Through Video Conferencing/Other Audio Visual Means("OAVM")

Special Resolution

Approval for Raising of Funds through Issuance of Bonds for FY 2020-21

Raising of Tier I Capital of the Bank through Issuance of Securities

Alteration of Object Clauses of Memorandum of Association

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 89th Annual General Meeting notice.





Corporate Governance Report (Contd...)

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 <https://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.

Corporate Governance Report (Contd...)

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

The Bank has a robust mechanism for fraud risk management and the meticulously drafted Fraud Risk Management Policy elucidates the numerous mitigation measures and the surveillance mechanism that complements prevention, detection, investigation and monitoring of both, internal and external frauds. Vigilance Department plays a dynamic role in all the activities related to fraud and it also shoulders the responsibility in sensitizing public as well as employees at all levels, on trending modus operandi of frauds, as part of the pre-emptive strategy. With a view to create an atmosphere of vigil and alertness, Vigilance Department issues Vigilance Communications (Alerts) to all employees on regular basis that disseminates various modus operandi of frauds in the banking industry and also suggesting safeguards and precautions to be adopted to prevent such frauds. Preventive Vigilance Workshops are conducted every year to sensitise and equip the field level staff to prevent frauds and at selected branches preventive Vigilance Audits are also conducted. Further, Fraud Prevention Committee at the branches conduct meetings periodically with a view to spread awareness among the employees on potential fraudulent activities and to keep them alert. Customer awareness on fraudulent activities is another area that is well covered by the Bank through various effective communication channels including SMS, E-Mails, posters at Branches, ribbon

messages on Bank website, internet banking webpage, etc. All cases of frauds reported in the Bank are investigated in detail as part of detective vigilance activity. Lacunae, if any observed during the course of investigation are plugged and cases where process refinements are warranted, are presented before relevant forums for corrective measures/ necessary directions.

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 RBI directions 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. A dedicated e-mail ID is provided for sending complains/ disclosures under PDS. 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 Bank's website and Intranet. Website link to Bank's Whistle Blower Policy is <https://www.federalbank.co.in/documents/10180/45777/Whistle+Blower+policy/558aea51-1335-4546-9c9a-28c5030377a1>

H. 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. The policy has been displayed on the Bank's website at www.federalbank.co.in and 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





Corporate Governance Report (Contd...)

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 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 who directly reports to the Managing Director & CEO of the Bank. 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.

Corporate Governance Report (Contd...)

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 2020-21.

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. Varma & Varma and M/s Borkar & Muzumdar) and its affiliates entities, is given below:

(₹ in crore)	
Particulars	FY 2020-21
Audit Fee*	3.94
Reimbursement of Expenses	0.02

*includes Certification, Branch Audit fee and other matters

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
- CRISIL A1+ for the Short Term Fixed Deposits 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. DEBENTURE TRUSTEES

The SEBI Listing Regulations require companies, which have listed their debt securities, to disclose the names of their debenture trustees with contact details in their Annual Report. The following are the debenture trustees for the privately placed bonds of the Bank:

Beacon Trusteeship Ltd
 Regd & Corporate Office :
 4C & D Siddhivinayak Chambers,
 Gandhi Nagar,
 Opp MIG Cricket Club,
 Bandra East (E), Mumbai - 400051

R. Outstanding GDRS/ADRS/Warrants or any Convertible Instruments, Conversion Date and Likely Impact on Equity

The Bank has 2,92,32,891 GDRs (equivalent to equity shares) outstanding, which constituted 1.46% of the Bank's total capital as at March 31, 2021.

S. Compliance with Mandatory Requirements

The Bank has complied with all applicable mandatory requirements of the SEBI (Listing Obligations and Disclosure Requirements), 2015 (Listing Regulations) during the financial year 2020-21. 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 Listing Regulations 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 Chairman and Chief Executive Officer. Ms. Grace Koshie, Non-Executive Non-Independent Director is the Chairperson and Mr. Shyam Srinivasan is the Managing Director & CEO of the Bank as on March 31, 2021.

C. Reporting of Internal Auditor

The Internal Auditors of the Bank report directly to the Managing Director & CEO 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.





Corporate Governance Report (Contd...)

B. Annual Report

In compliance with the Circular dated May 5, 2020 issued by MCA read with circulars dated April 8, 2020 and April 13, 2020 (collectively referred to as "MCA Circulars") and SEBI Circular dated May 12, 2020, soft copy of the Annual Report for FY 2019-20, 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 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. The Bank had not declared any dividend during the financial year ended 31.03.2021 in compliance with the directions from RBI in this regard. 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 09, 2021; Time: 11.00 AM;

Venue: Through Video Conferencing ('VC') or Other Audio Visual Means ('OAVM')

C. Financial Calendar

Financial Year: April 1, 2020 to March 31, 2021

For the financial year ended March 31, 2021, results were announced on:

- First Quarter: July 15, 2020
- Second Quarter: October 16, 2020
- Third Quarter: January 20, 2021
- Fourth Quarter & Annual: May 17, 2021

Corporate Governance Report (Contd...)

D. Book Closure

The dates of Book Closure are from July 03, 2021 to July 09, 2021 (both days inclusive).

E. Dividend Payment Date

The dividend declared will be paid on or after July 13, 2021

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 2012- 13 amounting to ₹ 9,544,383/- 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 September 09, 2020.

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
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 2020-21, 2,71,586 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 2021-22 to BSE and NSE has been paid.





Corporate Governance Report (Contd...)

The Bank will pay 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 2021-22 upon receipt of invoices from depositories.

J. Equity Evolution during the year

As at March 31, 2021, the paid-up share capital of the Bank was ₹ 3,99,49,91,086/- consisting of 1,99,61,52,748 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/-)	
27.04.2020	439705
27.05.2020	255445
30.06.2020	384780
12.08.2020	119030
25.09.2020	811425
23.10.2020	187186
20.11.2020	863410
22.12.2020	129680
05.01.2021	42230
25.01.2021	17180
08.02.2021	53965
26.02.2021	92670
10.03.2021	47140
30.03.2021	43700

K. Stock Market Data

a. Market price data- high, low during each month in the Financial Year 2020-21

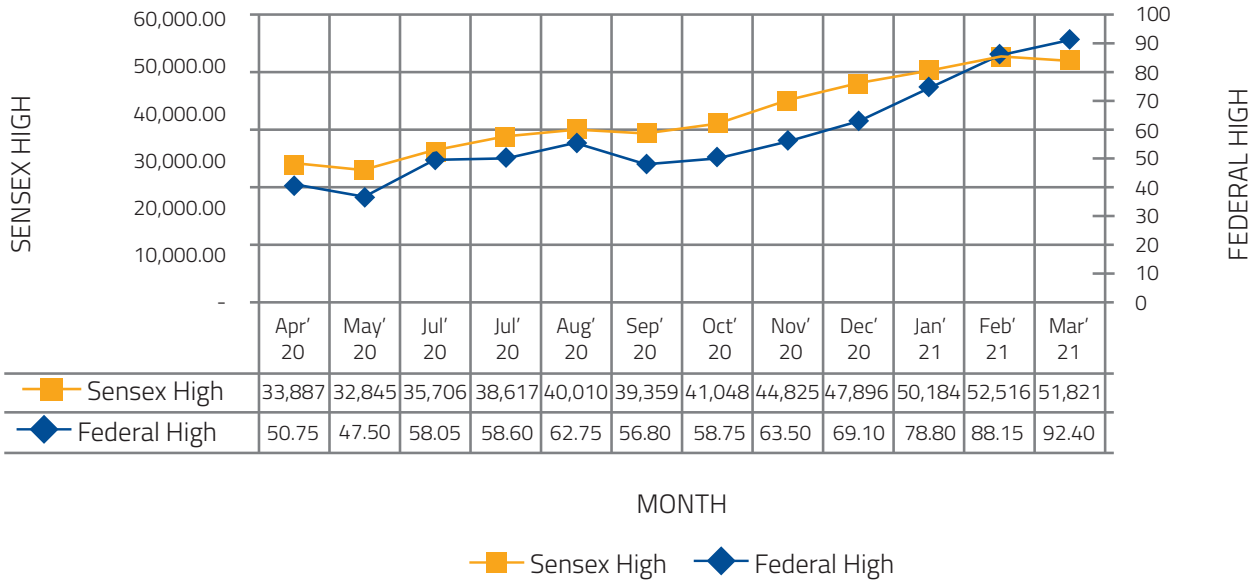
Monthly high and low quotations for each month during the Financial Year 2020-21 at the National Stock Exchange of India Limited and the BSE Ltd., are as follows:

Month	NSE		Month	BSE	
	High	Low		High	Low
Apr 20	50.75	39.35	Apr 20	50.75	39.35
May 20	46.40	36.80	May 20	47.50	36.85
Jun 20	58.10	44.05	Jun 20	58.05	44.40
Jul 20	58.60	49.20	Jul 20	58.60	49.35
Aug 20	62.75	51.65	Aug 20	62.75	51.70
Sep 20	56.80	45.35	Sep 20	56.80	45.40
Oct 20	58.80	49.05	Oct 20	58.75	49.10
Nov 20	63.50	50.05	Nov 20	63.50	50.05
Dec 20	69.10	57.65	Dec 20	69.10	57.55
Jan 21	78.85	66.80	Jan 21	78.80	66.85
Feb 21	88.20	71.75	Feb 21	88.15	71.75
Mar 21	92.50	72.60	Mar 21	92.40	72.65

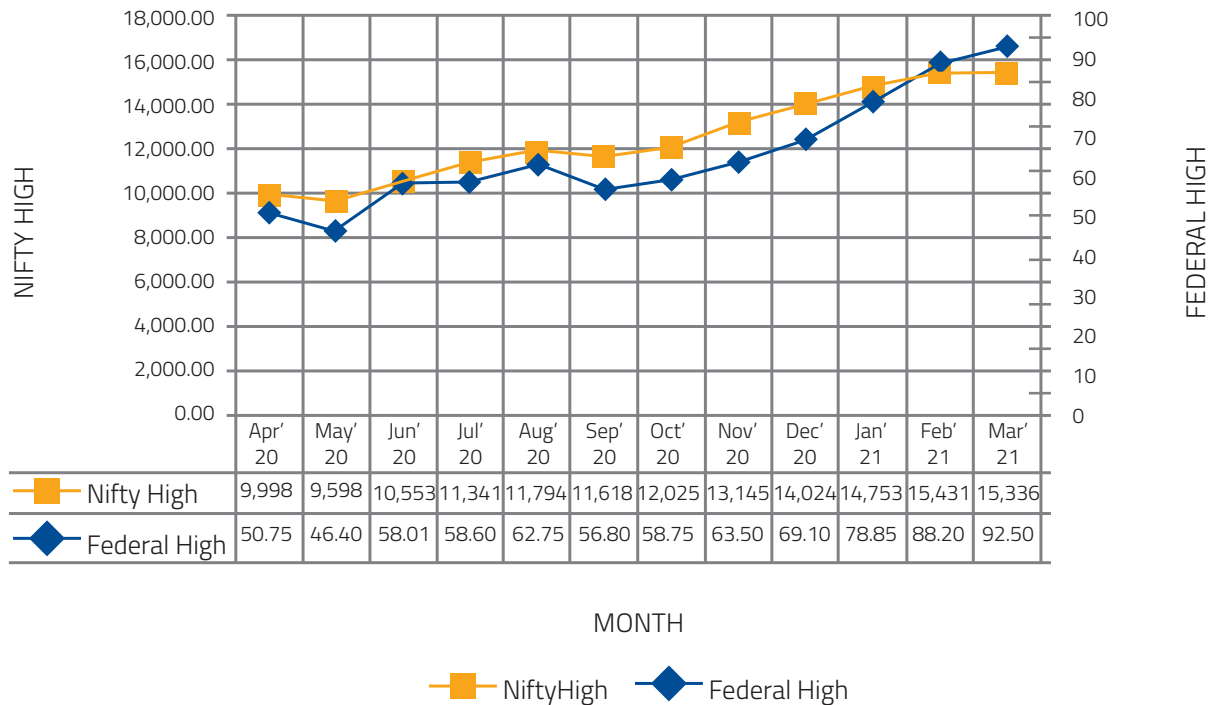
Corporate Governance Report (Contd...)

b. Performance in comparison to broad based indices such as BSE – Sensex and NSE – Nifty 50.

SENSEX HIGH Vs. FEDERAL HIGH



NIFTY HIGH Vs. FEDERAL HIGH





Corporate Governance Report (Contd...)

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, 2021 along with Shareholders holding more than 1% of shares of the Bank is given below:

Shareholding pattern by size as on March 31, 2021				
Value	Total number of share holders	% of Shareholders	Total Value	% of shares
1	2	3	4	5
Up to 5000	513639	94.51	268772848	6.73
5001 - 10000	14801	2.72	107807148	2.70
10001 - 20000	8518	1.57	122764170	3.08
20001 - 30000	2641	0.49	65074004	1.63
30001 - 40000	1039	0.19	37164356	0.93
40001 - 50000	624	0.11	28444406	0.71
500001 - 100000	1220	0.22	86200948	2.16
ABOVE 100001	1024	0.19	3276077616	82.06
TOTAL	543506	100.00	3992305496	100.00

Shareholding pattern by ownership as on March 31, 2021

Share holder Category	No of Shares	%
Mutual Funds	594519349	29.78
Financial Institutions/Bank/Insurance Companies	232300795	11.64
Foreign Portfolio Investor & Foreign Institutional Investor	482255123	24.16
Bodies Corporate	28537902	1.43
Individual(including NRIs)	587782600	29.45
NBFCs Registered with RBI	158500	0.01
Central Govt/ State Govt/ President of India	510	0.00
Any Other(Trust, Alternate Investment funds, Overseas Corporate Bodies, Foreign Bank, Foreign Body Corporate , LLP, Clearing Member)	41364988	2.07
No. of shares underlying Depository Receipts	29232891	1.46
Total no. of shares held	1996152748	100%

Shareholders holding more than 1% as on March 31, 2021

Sr. No.	Name	Shares held	%
1	Franklin Templeton Mutual Fund	98509098	4.93
2	ICICI Prudential Mutual Fund	95264974	4.77
3	Yusuffali Musaliam Veettil Abdul Kader	77600640	3.89
4	Life Insurance Corporation Of India	77171928	3.87
5	HDFC Life Insurance Company Limited	61484437	3.08
6	HDFC Mutual Fund	51214156	2.57
7	Nippon Life India Mutual Fund	49209972	2.47
8	Rakesh Jhunjhunwala	47221060	2.37
9	DSP Mutual Fund	46411753	2.33
10	Kotak Mahindra Mutual Fund	39970360	2.00
11	SBI Mutual Fund	39511062	1.98
12	Sundaram Mutual Fund	34885116	1.75
13	Bank Muscat India Fund	33351210	1.67
14	TATA AIA Life Insurance Co	32395868	1.62
15	Government Pension Fund	31672441	1.59
16	Kotak Mutual Fund	28683783	1.44
17	MIRAE Asset Mutual Fund	25407800	1.27
18	UTI Mutual Fund	23243873	1.16
19	Vanguard Mutual Fund	21013696	1.05

Corporate Governance Report (Contd...)

M. Dematerialisation of the Bank's Shares

The Paid up Equity Shares of the Bank as on March 31, 2021 is 1,996,152,748 shares. Out of this 1,995,090,373 shares are listed. Of the total paid up equity shares of the Bank, 1,703,345,205 shares (85.27%) are held in dematerialized form in NSDL, 272,754,864 (13.65%) in CDSL and 20,052,679 (1.00%) 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:

- a. Demat account should be opened with a Depository Participant (DP).
- b. Shareholders should submit the Dematerialization Request Form (DRF) along with share certificates in original, to their DP.
- c. DP will process the DRF and will generate a Dematerialization Request Number (DRN).
- d. DP will submit the DRF and original share certificates to the Registrar and Transfer Agents (RTA), which is Integrated Registry Management Services Private Limited.
- e. RTA will process the DRF and confirm or reject the request to DP/ depositories.
- f. 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 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 is 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 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 Banks's shares are listed.





Corporate Governance Report (Contd...)

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 2020-21.

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 1272 Branches across India as on March 31, 2021.

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
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Registrars and 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
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Certification by Managing Director & Chief Executive Officer of The Bank Declaration on Code of Conduct

In compliance with the requirements of the Regulation 26(3) of Listing 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 2020-21.

Place : Aluva
Date : June 16, 2021

Shyam Srinivasan
Managing Director & CEO
The Federal Bank Ltd

CEO/ CFO CERTIFICATE

We, Shyam Srinivasan, Managing Director & CEO 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, 2021 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 & CFO

Shyam Srinivasan
Managing Director & CEO

Place: Kochi
Date: May 17, 2021

Corporate Governance Report (Contd...)

ANNEXURE-1

DETAILS OF OTHER DIRECTORSHIPS HELD

Name of the Director	Status	Directorship*	Category	Committee Membership	Committee Chairmanship
Ms. Grace Koshie	NED	Listed Companies			
		Firstsource Solutions Ltd	ID	Nil	Audit Committee
		RPSG Ventures Ltd	ID	Audit Committee	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	Nil
		Motilal Oswal Asset Management Company	ID	Audit Committee	
		NSDL e-Gov Infrastructure Limited	ID	Audit Committee	
Mr. K Balakrishnan	ID	Unlisted Public Company	ID	Audit Committee	Nil
		Fedbank Financial Services Ltd			
Mr. Siddhartha Sengupta	ID	Unlisted Public Companies			
		Standard Chartered Investments and Loans (India) Limited	ID	Audit Committee	Nil
		Centrum Financial Services 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	Listed Company	ID	Audit Committee	Nil
		PNB Housing Finance Limited			
Ms. Varsha Purandare	ID	Listed Companies			
		Shaily Engineering Plastics Limited	ID	Audit Committee	Stakeholders Relationship Committee
		Deepak Fertilizers and Petrochemicals Corporation Limited	Additional Director	Nil	Nil
		Orient Cement Limited	ID	Audit Committee	Stakeholders Relationship Committee
		Tata Capital Limited (Only Debt Securities are listed)	ID	Audit Committee	Nil
		Tata Capital Financial Services Limited (Only Debt Securities are listed)	ID	Audit Committee	Nil
		Unlisted Public Companies			
		Tata Cleantech Capital Limited	ID	Audit Committee	Nil
		Legal Entity Identifier India Limited	Director	Nil	Nil
Mr. Shyam Srinivasan	ED	Unlisted Public Companies			
		Ageas Federal Life Insurance Company Ltd	NED	Nil	Nil
		Fedbank Financial Services Limited	NED	Nil	Nil
Mr. Ashutosh Khajuria	ED	Unlisted Public Company			
		Fedbank Financial Services Limited	Nominee Director	Audit Committee	Nil
Ms. Shalini Warriar	ED	Unlisted Public Company			
		Federal Operations and Services Limited	NED	Nil	Nil
		Ageas Federal Life Insurance Co.Ltd	NED	Audit Committee	Nil

*Directorship in unlisted Public and Listed Companies as on March 31, 2021 is 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, 2021, 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, 2021.
4. We have examined the compliance of conditions of Corporate Governance by the Bank for the period April 1, 2020 to March 31, 2021 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, 2020 to March 31, 2021. 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, 2021.
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

Company Secretaries
(ICSI Unique Code: P2019KE075600)

Sd/-

CS Sivakumar P

Managing Partner
COP: 2210 FCS: 3050

Date: June 16, 2021

Place: Kochi

UDIN: F003050C000471861

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, 2021 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 E Koshie	06765216	22-11-2013
2	Mr. C Balagopal	00430938	29-06-2015
3	Mr. A P Hota	02593219	15-01-2018
4	Mr. K Balakrishnan	00034031	25-09-2018
5	Mr. Siddhartha Sengupta	08467648	13-06-2019
6	Mr. Manoj Fadnis	01087055	13-06-2019
7	Mr. Sudarshan Sen	03570051	11-02-2020
8	Ms.Varsha Purandare	05288076	08-09-2020
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

Company Secretaries
(ICSI Unique Code: P2019KE075600)

UDIN: F003050C000471859

Sd/-

CS Sivakumar P

Managing Partner
COP: 2210 FCS: 3050

Date: June 16, 2021

Place: Kochi





Business Responsibility Report FY2021

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	2020-21
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	Federal Bank has got representative offices in Abu Dhabi and Dubai
i. Number of International Locations (Provide details of major 5)	As on March 31, 2021, Federal Bank had a network 1272 branches and 1536 ATMs + 10 Mobile ATMs and 411 Cash Recyclers in 24 states, Delhi NCT and 4 union territories.
ii. Number of National Locations	
10. Markets served by the Company	Federal Bank serves customers in national and international locations

SECTION B: FINANCIAL DETAILS OF THE COMPANY

1. Paid up Capital (INR)	₹ 399.23 Cr
2. Total Turnover (INR)*	₹ 15702.81 Cr
3. Total profit after taxes (INR)	₹ 1590.30 Cr
4. Total Spending on Corporate Social Responsibility (CSR) as percentage of profit after tax (%)	2.21
5. List of activities in which expenditure in 4 above has been incurred	<ul style="list-style-type: none"> a. Education including skill development b. Healthcare including Covid19 relief activities c. Disaster Relief including Covid19 relief activities d. Eradicating Hunger and Poverty e. Women Empowerment f. Livelihood Enhancement

*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

Business Responsibility Report FY2021 (Contd...)

SECTION D: BR INFORMATION

1. DETAILS OF DIRECTOR/DIRECTORS RESPONSIBLE FOR BR

a) Details of the Director/Directors responsible for implementation of the BR policy/policies

- DIN Number : 05154975
- Name : Mr. Ashutosh Khajuria
- Designation : Executive Director

b) Details of the BR head

Sr. No.	Particulars	Details
1.	DIN Number (if applicable)	NA
2.	Name	Mr. Ajith Kumar K K
3.	Designation	Executive Vice President & CHRO
4.	Telephone number	04842624063
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

Sr. 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?	Y	Y	Y	Y	Y	Y	Y	Y	Y
4.	Has the policy being approved by the Board? If 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





Business Responsibility Report FY2021 (Contd...)

2 a. If answer to S. No. 1 against any principle, is 'No', please explain why: (Tick up to 2 options)

Sr. Questions No.	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)									
<p><i>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.</i></p>									

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. The Business Responsibility Report is available at Bank's website, <https://www.federalbank.co.in/shareholder-information>

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/JVs/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.

Your Bank has received 1,47,914 customer complaints during the last FY 2020-21. Your Bank has resolved 98% of the customers' complaints during the FY 2020-21. 94% of the complaints is related to electronic disputes as your Bank is observing digital migration of customers in large number due to the changed economic scenario.

These disputes occur due to the dependability of the transactions to stability of network, infrastructure, third party vendors, other bank system resilience etc.

Your Bank has received 4 investor complaints during FY 2020-21 and has redressed 100% of investor complaints during FY 2020-21.

As on March 31, 2021, apart from the complaints, around 736 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.

During the year 2020-21, your Bank has received 6 complaints under PDS. All the complaints were investigated and resolved satisfactorily.

Business Responsibility Report FY2021 (Contd...)

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, Mobile ATMs, cash recyclers, and through technologies like mobile banking and internet banking. The Bank offers many customized products including 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

- Does the company have procedures in place for sustainable sourcing (including transportation)?

Not applicable

- 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

- 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 company, the bank is not generating products and waste associated with a manufacturing concern.

PRINCIPLE 3

- Please indicate the Total number of employees.

The Bank had 12592 employees as on March 31, 2021.

- Please indicate the Total number of employees hired on temporary/contractual/casual basis.

The Bank had 1050 employees as on March 31, 2021 on contract/ temporary basis.

- Please indicate the Number of permanent women employees.

The Bank had 4464 permanent women employees as on March 31, 2021 (excluding Part time Sweepers).

- 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 19 such employees





Business Responsibility Report FY2021 (Contd...)

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?

70.14% of employees in Officer Cadre are members of Federal Bank Officers' Association (FBOA) and 90.05% 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.

Sr. 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	0	0
2.	Sexual harassment	1	0
3.	Discriminatory employment	0	0

8. What percentage of your under mentioned employees were given safety & skill up-gradation training in the last year?

Permanent Employees	90.48%
Permanent Women Employees	97.67%
Casual/Temporary/Contractual Employees	100%
Employees with Disabilities	89.47%

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, and 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?

The Bank realizes and respects the human rights of all its stakeholders and ensures it 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

Business Responsibility Report FY2021 (Contd...)

by them. The Bank does not promote any kind of discrimination between its employees, customers and other stakeholders on the basis of race, caste, religion, sex etc. The 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?

Your Bank has received 1,47,914 customer complaints during the last FY 2020-21. Your Bank has resolved 98% of the customers' complaints during the FY 2020-21. 94% of the complaints are related to disputes related to electronic banking as your Bank is observing digital migration of customers in large number due to the changed economic scenario.

These disputes occur due to the dependability of the transactions to stability of network, infrastructure, third party vendors, other bank system resilience etc.

Your Bank has received 4 investor complaints during FY 2020-21 and has redressed 100% of investor complaints during FY 2020-21.

As on March 31, 2021, apart from the complaints, around 736 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.

During the year 2020-21, Your Bank has received 6 complaints under PDS. All the complaints were investigated and resolved satisfactorily.

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/documents/10180/30528/Initiative+to+address+Environmental+issues+2021.pdf/f8be9f77-2124-b34b-ddae-33054971d9e3?t=1623473853107>

3. Does the company identify and assess potential environmental risks? Y/N

Yes. The Bank follows environment laws with regard to its premises and operations.

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.

Yes. <https://www.federalbank.co.in/documents/10180/30528/Initiative+to+address+Environmental+issues+2021.pdf/f8be9f77-2124-b34b-ddae-33054971d9e3?t=1623473853107>





Business Responsibility Report FY2021 (Contd...)

6. Are the Emissions/Waste generated by the company within the permissible limits given by CPCB/SPCB for the financial year being reported?

The Bank is not a manufacturing concern and does not generate waste or products or byproducts generally associated with manufacturing

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-

- a. Indian Banks Association
 - b. Indian Institute of Banking and Finance
 - c. Indo Australian Chamber of Commerce and Industry
 - d. Kerala Management Association
 - e. The Federation of Telangana and Andhra Pradesh Chambers of Commerce and Industry (FTAPCCI)
 - f. Indian Chamber of Commerce & Industry, Cochin
 - g. National Institute of Bank Management
 - h. Confederation of Indian Industry and CII Indian Women Network
 - i. Cochin Chamber of Commerce
 - j. 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 Disaster Relief, Health, Education, Skill Development, Environment sustainability, Inclusive Development Policies to name a few.

Business Responsibility Report FY2021 (Contd...)

Bank started a drive for pooling donations from its employees, customers and well-wishers in the wake of corona outbreak. Bank had set up a portal for collection of donations on the Bank's website on 27.03.2020 in this regard with an idea that every contribution received in the portal will be topped up with an amount matching the remittance by the Bank. The portal was closed on 27.04. 2020.

The Bank have collected a total amount of ₹ 59,33,371/87 (Rupees Fifty Nine lakhs Thirty three Thousand Three Hundred seventy one paise eighty seven only) from 2748 donors comprising of employees/customers & well-wishers. With Banks matching contribution, Total amount for various relief measures was ₹ 1,18,66,744/- and was spent on 7 projects in line with COVID 19 disaster relief and preventive healthcare subheads. Following are the 7 projects.

Sr. No.	Projects
1	Covid Kit to B J Medical College, Pune
2	Covid Kit to Govt Medical College , Kannur
3	Community Kitchen in Aluva, Perumbavoor and Angamaly
4	Community Kitchen in New Delhi through Helpage India.
5	PPE Kits to medical staffs in Mumbai through Keshav Srushti
6	Support for transporting Migrant workers from Chennai to Rajasthan.
7	PCR Testing machine to General Hospital, Ernakulam through National Health Mission .

In an effort to support people affected by the nationwide lockdown imposed by the Govt, Bank has deployed Mobile ATMs to bring essential banking services to the doorstep of the residents in the states – Tamil Nadu, Karnataka, Kerala & Maharashtra-which are the worst affected states in the country and where our bank is having more presence

In the field of Health, CSR department is in tie 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. The Bank has supported various health systems including Medical Trust Hospital, Mundakkayam for installing one dialysis unit, KEM Hospital, Pune with Neo Natal Ventilator, Holy family Hospital, Bandra with Ligasure LS 10 tissue fusion instrument to be used to arrest bleeding during laparoscopic and open surgeries.

In FY2020-2021, the Bank continued our support towards Sansad Mobile Swasthya's operational expenses of five MMUs for one year from January 2021. 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 April 14, 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 five districts, 800 Panchayaths and 13000 beneficiaries.

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 Financial Year 2020-21 started with unprecedented pandemic COVID 19 which forced the country to go under lock down and the skilling sector was forced to remain closed till end of November 2020. During this period, FSA offered few online skilling programmes. New Courses such as E Teacher online and BPO Non Voice online were introduced in FSA Kochi.

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 the inception of the project, Bank has supported 1015 aspirants out of which 418 are still receiving scholarships.

During the year 2020-21, the Federal Bank Hormis Memorial Foundation offered assistance to 125 meritorious students, 21 students from Engineering , 19 students from BSc Agriculture 20 students each from Medicine and MBA & 45 students from BSc Nursing, adding 13 more students to this category than the previous year.





Business Responsibility Report FY2021 (Contd...)

Your 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.

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 eight years.

As part of Swatch Bharat initiatives, we have provided support to TVM Municipal Corporation for purchasing equipments for effective waste management in Trivandrum; Tirunelveli Municipal Corporation for installation of FRP Mobile Toilets in Tirunelveli for public use .

The Bank has also supported Vaccination Drive across the country through various initiatives like providing support to Directorate of Health Services for purchasing 10000 vaccine carriers for all the districts in Kerala, purchasing ice lined refrigerators for storing vaccines related to COVID Vaccine Distribution Project in Maharashtra and supported Mobile Vaccine Distribution project in Ponnani, Malappuram and Nilambur areas of Malappuram District.

Bank has partnered with Network 18 for spreading awareness on Vaccination through Network 18 Group Assets (Digital, TV, Social Media) by launching a campaign named 'Sanjeevani-A Shot of Life'.

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 of youth from economically backward sectors. Through Federal Bank Hormis Memorial Foundation Scholarship, bank is offering scholarships for 125 newly selected (FY2020-21) meritorious students from families deserving support. Till date 1015 students have been supported through this initiative and 418 students are still receiving the 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?

Business Responsibility Report FY2021 (Contd...)

Your Bank had spent ₹ 35.22 Crores in FY 2020-21 on corporate social responsibility related activities. The expenditure has been undertaken primarily on disaster relief and preventive healthcare including COVID19 related relief activities, sustainable livelihoods, education, healthcare and rural development related activities .

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 livelihood enhancement, providing housing and sanitation etc.

PRINCIPLE 9

1. What percentage of customer complaints/consumer cases are pending as on the end of financial year.

2% of complaints received in FY 2020-21 is only pending as on the end of financial year. Your Bank has resolved 98% of complaints received in FY 2020-21.

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)

Not applicable

3. Is there any case filed by any stakeholder against the company regarding unfair trade practices, irresponsible advertising and/or anti-competitive behavior 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?

Your Bank had carried out customer survey during the financial year 2020-21 too. This time also 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.





Independent Auditor's Report

To the Members of The Federal Bank Limited

Report on the Audit of the Standalone Financial Statements

Opinion

We have audited the accompanying standalone financial statements of The Federal Bank Limited ('the Bank'), which comprise the standalone Balance Sheet as at March 31, 2021, the standalone Profit and Loss Account, the standalone Cash Flow statement for the year then ended and notes to the standalone financial statements, including a summary of significant accounting policies and other explanatory information in which are included the Returns for the year ended on that date audited by the branch auditors of the Bank's branches located across India.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Banking Regulation Act, 1949 as well as the Companies Act, 2013 ('the Act') in the manner so required for banking companies and give a true and fair view in conformity with accounting principles generally accepted in India, of the state of affairs of the Bank as at March 31, 2021, and its profit and its cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit of the standalone financial statements in accordance with the Standards on Auditing ('SAs') specified under section 143(10) of the Act. Our responsibilities under those

Description of Key Audit Matters

Key Audit Matters	How our audit addressed the Key Audit Matters
Classification of Advances, Identification of Non-Performing Advances, Income Recognition and Provision on Advances (Schedule 9 read with Note 4.2 of Schedule 17 and Note 1.4 and Note 3.1 of Schedule 18 to the standalone financial statements)	
<p>(i) Advances include Bills purchased and discounted, Cash credits, Overdrafts, Loans repayable on demand and Term loans. These are further categorised as secured by Tangible assets (including advances against Book Debts), covered by Bank/Government Guarantees and Unsecured advances.</p> <p>The Reserve Bank of India ('RBI') has prescribed the 'Prudential Norms on Income Recognition, Asset Classification and Provisioning' in respect of advances for banks ('IRACP Norms'), including circulars in relation to COVID-19 Regulatory Package – Asset Classification and Provisioning.</p>	<p>Our audit approach / procedures towards Classification of Advances, Identification of Non-performing Advances, Income Recognition and Provision on Advances included the following:</p> <ul style="list-style-type: none"> - Understanding and considering the Bank's accounting policies for NPA identification and provisioning and assessing compliance with the prudential norms prescribed by the RBI (IRACP Norms) including the additional provisions made on advances considering the current uncertain economic environment arising out of COVID 19 pandemic. - Understanding, evaluation and testing the design and operating effectiveness of key controls (including application controls) for identification and provisioning of impaired accounts based on the extant guidelines on IRACP laid down by the RBI.

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

Emphasis of Matter

We draw attention to Note No. 1.4.6(B)-7 of Schedule 18 to the Standalone financial statements regarding the impact of COVID-19 pandemic on the Bank's operations and financial position, which will depend on various uncertain aspects including actions taken to mitigate the same and other regulatory measures.

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 for the financial year ended March 31, 2021. These matters were addressed in the context of our audit of the standalone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

Independent Auditor’s Report (Contd...)

Key Audit Matters	How our audit addressed the Key Audit Matters
<p>The identification of performing and non-performing advances involves establishment of proper mechanism and the Bank is required to apply significant degree of judgement to identify and determine the amount of provision required against each non-performing asset ('NPA') applying both quantitative as well as qualitative factors prescribed by the regulations.</p> <p>Significant judgements and estimates for NPA identification and provisioning could give rise to material misstatements on:</p> <ul style="list-style-type: none"> - Completeness and timing of recognition of non-performing assets in accordance with criteria as per IRACP norms; - Measurement of the provision for non-performing assets based on loan exposure, ageing and classification of the loan, realizable value of security; - Appropriate reversal of unrealized income on the NPAs. <p>Further, due to the various COVID-19 pandemic restrictions imposed by the Government / Local Authorities during the period of our audit, audit could not be conducted by physically visiting the premises of certain Branches of the Bank. Accordingly, our audit procedures were required to be modified to carry out the audit remotely.</p> <p>Since the classification of advances, identification of NPAs and creation of provision on advances (including additional provisions arising out of COVID-19 pandemic) and income recognition on advances:</p> <ul style="list-style-type: none"> - Requires proper control mechanism and significant level of estimation by the Bank; - Has significant impact on the overall financial statements of the Bank; - Could not be entirely covered through personal visits/ physical interaction with relevant branch staff as originally planned; <p>we have ascertained this area as a Key Audit Matter.</p>	<ul style="list-style-type: none"> - Performing other procedures including substantive audit procedures covering the identification of NPAs by the Bank. These procedures included: <ul style="list-style-type: none"> (a) Considering testing of the exception reports generated from the application systems where the advances have been recorded. (b) Considering the accounts reported by the Bank and other banks as Special Mention Accounts ("SMA") in RBI's central repository of information on large credits (CRILC) to identify stress. (c) Reviewing account statements and other related information of the borrowers selected based on quantitative and qualitative risk factors (d) Reading of minutes of management committee and credit committee meetings and performing inquiries with the credit and risk departments to ascertain if there were indicators of stress or an occurrence of an event of default in a loan account or any product (e) Considering audit reports and memorandum of changes issued by statutory branch auditors. (f) Considering Internal Audit, Systems Audit, Credit Audit and Concurrent Audit as per the policies and procedures of the Bank. (g) Considering the RBI Annual Financial Inspection report on the Bank, the bank's response to the observations and other communication with RBI during the year. (h) Examination of advances including stressed advances on a sample basis with respect to compliance with the RBI Master Circulars / Guidelines. <p>For Non- performing advances identified, we, based on factors including stressed sectors and account materiality, tested on a sample basis the asset classification dates, reversal of unrealized interest, value of available security and provisioning as per IRACP norms. We recomputed the provision for NPA after considering the key input factors and compared our measurement outcome to that prepared by management.</p> <p>Wherever physical access to branches was not possible due to restrictions arising from COVID-19 pandemic, we modified our audit procedures to cover review of sample advances based on scanned records/ reports/ documents/ certificates made available to us by the Bank through digital medium, emails and remote access to CBS and other relevant application software over secure network of the Bank. To this extent, the audit process was carried out on the basis of such documents, reports and records made available to us which were relied upon as audit evidence for conducting the audit and reporting for the current period. These audit procedures were supplemented, where relevant, by gathering further evidence through enquiries and discussions with relevant Bank staff using Video Conferencing/ phone calls/ emails and similar communication channels.</p>





Independent Auditor's Report (Contd...)

Key Audit Matters	How our audit addressed the Key Audit Matters
<p>(ii) Valuation of Investments, Identification of and provisioning for Non-Performing Investments (Schedule 8 read with Note 4.1 of Schedule 17 to the standalone financial statements)</p> <p>Investments include investments made by the Bank in various Government Securities, Bonds, Debentures, Shares, Security receipts and other approved securities. RBI Circulars and directives, inter-alia, cover valuation of investments, classification of investments, identification of non-performing investments, non-recognition of income and provisioning against non-performing investments.</p> <p>The valuation of each category (type) of the aforesaid securities is to be done as per the method prescribed in circulars and directives issued by the RBI which involves collection of data/information from various sources such as FIMMDA rates, rates quoted on BSE/NSE, financial statements of unlisted companies etc.</p> <p>We identified valuation of investments and identification of NPI as a Key Audit Matter because of the management judgement involved in determining the value of certain investments (Bonds and Debentures, Pass-through certificates) based on applicable Regulatory guidelines and the Bank's policies, impairment assessment for HTM book based on management judgement, the degree of regulatory focus and the overall significance to the financial results of the Bank.</p>	<p>Our audit approach/procedures towards Investments with reference to the RBI Circulars/directives included the understanding of internal controls and substantive audit procedures in relation to valuation, classification, identification of non-performing investments (NPIs) and provisioning/depreciation related to Investments. In particular -</p> <ul style="list-style-type: none"> - We evaluated and understood the Bank's internal control system to comply with relevant RBI guidelines regarding valuation, classification, identification of NPIs, reversal of income on NPIs and provisioning/depreciation related to investments; - We assessed and evaluated the process adopted for collection of information from various sources for determining market value of these investments; - For the selected sample of investments in hand, we tested accuracy and compliance with the RBI Master Circulars and directions by re-performing valuation for each category of the security; - We carried out substantive audit procedures to recompute independently the provision to be maintained in accordance with the circulars and directives of the RBI. Accordingly, we selected samples from the investments of each category and tested for NPIs as per the RBI guidelines and recomputed the provision to be maintained and if accrual of income is in accordance with the RBI Circular for those selected sample of NPIs; - We tested the mapping of investments between the Investment application software and the financial statement preparation software to ensure compliance with the presentation and disclosure requirements as per the aforesaid RBI Circular/directions.
<p>(iii) Information Technology ('IT') Systems and Controls for financial reporting</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.</p> <p>The Bank uses several systems for its overall financial reporting and there is a large volume of transactions being recorded at multiple locations daily. In addition, there are increasing challenges to protect the integrity of the Bank's systems and data since cyber security has become a more significant risk in recent periods. Further, the prevailing COVID-19 situation, has caused the required IT applications to be made accessible on a remote basis.</p>	<p>As a part of our audit procedures for review of the Bank's IT systems and related controls for financial reporting:</p> <ul style="list-style-type: none"> - We tested the design and operating effectiveness of the Bank's IT access controls over the information systems that are critical to financial reporting. - We tested IT general controls (logical access, changes management and aspects of IT operational controls). This included testing that requests for access to systems were reviewed and authorised. We inspected requests of changes to systems for approval and authorisation. We considered the control environment relating to various interfaces, configuration and other application layer controls identified as key to our audit.

Independent Auditor’s Report (Contd...)

Key Audit Matters	How our audit addressed the Key Audit Matters
<p>Due to the pervasive nature and complexity of the IT environment as well as its importance in relation to accurate and timely financial reporting, we have identified this area as a Key Audit Matter.</p>	<ul style="list-style-type: none"> - In addition to the above, we tested the design and operating effectiveness of certain automated controls that were considered as key internal controls over financial reporting. Where deficiencies were identified, we sought explanations regarding compensating controls or performed alternate audit procedures. In addition, we understood where relevant, changes made to the IT landscape during the audit period and tested those changes that had a significant impact on financial reporting.
<p>(iv) Assessment of Provisions and Contingent Liabilities (Refer note 4.13& 4.20 of Schedule 17 to the standalone financial statements)</p> <p>Assessment of Provisions and Contingent liabilities in respect of certain litigations including Direct and Indirect Taxes, various claims filed by other parties not acknowledged as debt (Schedule 12 to the standalone financial statements) and various employee benefits schemes (Schedule 5 to the standalone financial statements) was identified as a significant audit area.</p> <p>There is high level of judgement involved in estimating the level of provisioning required as well as in the disclosure of both Provisions and Contingent Liabilities in respect of tax matters and other legal claims. The Bank’s assessment is supported by the facts of matter, their own judgment, past experience, and advice from legal and independent tax consultants wherever considered necessary. Accordingly, unexpected adverse outcomes may significantly impact the Bank’s reported profit and state of affairs presented in the Balance Sheet.</p> <p>The valuations of the employee benefit liabilities are calculated with reference to multiple actuarial assumptions and inputs including discount rate, rate of inflation and mortality rates. The valuation of funded assets in respect of the same is also sensitive to changes in the assumptions.</p> <p>We determined the above area as a Key Audit Matter in view of associated uncertainty relating to the outcome of the matters which requires application of judgment in interpretation of law, circumstances of each case and estimates involved.</p>	<p>Our audit approach / procedures involved:</p> <ul style="list-style-type: none"> - Obtaining an understanding of internal controls relevant to the identification of litigations and legal cases to be reported; - Understanding the current status of the litigations/tax assessments; - Examining recent orders and/or communication received from various tax authorities/ judicial forums and follow up action thereon; - Evaluating the merit of the subject matter under consideration with reference to the grounds presented therein and available independent legal / tax advice including opinion of the Bank’s tax consultants; - Review and analysis of evaluation of the contentions of the Bank through discussions, collection of details of the subject matter under consideration, the likely outcome and consequent potential outflows on those issues; and - Testing the design and operating effectiveness of key controls over the completeness and accuracy of the data, the measurement of the fair value of the schemes’ assets, understanding the judgements made in determining the assumptions used by management to value the employee liabilities with specific schemes and market practice. - Our audit procedures included an assessment of the assumptions used by the actuary by comparing life expectancy assumptions with relevant mortality tables, benchmarking inflation and discount rates against external market data. We verified the value of plan assets to the statements provided by asset management companies managing the plan assets. - Verification of disclosures related to significant litigations, taxation matters and Employee benefits liabilities in the standalone financial statements.





Independent Auditor's Report (Contd...)

Information other than the standalone Financial Statements and Auditor's Report Thereon

The Bank's Board of Directors is responsible for the other information. The other information comprises the information included in the 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 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 of this other information, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the standalone Financial Statements

The Bank's Board of Directors is responsible for the matters stated in section 134(5) of the Act, with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Bank in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 in so far as they apply to the Bank and provisions of Section 29 of the Banking Regulation Act, 1949 and circulars and guidelines issued by the Reserve Bank of India ('RBI') from time to time. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Bank and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

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

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

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 system with reference to standalone financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures in the standalone financial statements made by management.

Independent Auditor's Report (Contd...)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the standalone financial statements for the financial year ended March 31, 2021 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

- i. We did not audit the financial statements of 614 branches included in the standalone financial statements of the Bank whose financial statements reflect total assets of Rs.84157 crores as at March 31, 2021 and total revenue of Rs.3755 crores for the year ended on that date, as considered in the standalone financial statements. The financial statements

of these branches have been audited by branch auditors whose reports have been furnished to us, and our opinion in so far as it relates to the amounts and disclosures included in respect of these branches, is based solely on the reports of such branch auditors.

- ii. The standalone financial statements of the Bank for the year ended March 31, 2020 were audited by predecessor auditors whose report dated May 28, 2020 expressed an unmodified opinion on those standalone financial statements.

Our opinion is not modified in respect of the above matters.

Report on Other Legal and Regulatory Requirements

The standalone Balance Sheet and the standalone Profit and Loss Account have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 and Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014.

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

- (a) we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit and have found them to be satisfactory;
- (b) the transactions of the Bank, which have come to our notice, have been within the powers of the Bank; and
- (c) the returns received from the offices and branches of the Bank have been found adequate for the purposes of our audit.

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

- a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- b) In our opinion, proper books of account as required by law have been kept by the Bank so far as it appears from our examination of those books and proper returns adequate for the purposes of our audit have been received from branches not visited by us;
- c) The reports on the accounts of the branch offices of the bank audited under section 143(8) of the Act by branch auditors of the Bank have been sent 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, the standalone Cash Flow Statement dealt





Independent Auditor's Report (Contd...)

with by this report are in agreement with the books of account and with the returns received from the branches not visited by us;

- e) In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, to the extent they are not inconsistent with the accounting policies prescribed by RBI;
- f) On the basis of written representations received from the directors as on March 31, 2021 and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2021 from being appointed as a director in terms of Section 164(2) of the Act;
- g) With respect to the adequacy of the internal financial controls over financial reporting of the Bank with reference to these standalone financial statements and the operating effectiveness of such controls, refer to our separate Report in "Annexure A" to this report;
- h) In our opinion, the entity being a banking company, the remuneration to its directors during the year ended March 31, 2021 has been paid/provided by the Bank in accordance with the provisions of section 35B (1) of the Banking Regulation Act, 1949, and;
- i) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended, in our opinion and to the best of our information and according to the explanations given to us:

- i. The Bank has disclosed the impact of pending litigations on its financial position in its standalone financial statements - Refer Schedule 12 and Note No 4.7 under Schedule 18 to the standalone financial statements;
- ii. The Bank has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long term contracts including derivative contracts - Refer Note 4.12 under Schedule 18 to the standalone financial statements; and
- iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Bank.

For Varma & Varma

Chartered Accountants
FRN: 0045325

R Rajasekharan

Partner
M. No.22703
UDIN:21022703AAAAAF3064

Kochi-19
May 17, 2021

For Borkar & Muzumdar

Chartered Accountants
FRN: 101569W

Devang Vaghani

Partner
M. No. 109386
UDIN: 21109386AAAAEV9122

Mumbai-55
May 17, 2021

Independent Auditor's Report (Contd...)

ANNEXURE A TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE STANDALONE FINANCIAL STATEMENTS OF THE FEDERAL BANK LIMITED

Report on the Internal Financial Controls Over Financial Reporting with reference to standalone financial statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting with reference to standalone financial statements of The Federal Bank Limited ('the Bank') as at March 31, 2021 in conjunction with our audit of the standalone financial statements of the Bank for the year ended on that date.

Management's Responsibility for Internal Financial Controls over Financial Reporting

The Bank's Management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India . 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.

Auditor's Responsibility

Our responsibility is to express an opinion on the Bank's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting ('the Guidance Note') and the Standards on Auditing as specified under section 143 (10) of the Companies Act, 2013 to the extent applicable to an audit of internal financial controls, both applicable to an audit of internal financial controls and both issued by the Institute of Chartered

Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

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

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

Meaning of Internal Financial Controls Over Financial Reporting

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





Independent Auditor's Report (Contd...)

Inherent Limitations of Internal Financial Controls Over Financial Reporting

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

Opinion

In our opinion, the Bank has, in all material respects, an adequate internal financial controls system over financial reporting with reference to financial statements and such internal financial controls over financial reporting were operating effectively as at March 31, 2021, based on the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India.

Other Matters

Our aforesaid report in so far as it relates to the operating effectiveness of internal financial controls over financial reporting of 614 branches is based on the corresponding reports of the respective branch auditors of those branches.

Our opinion is not modified in respect of this matter.

For Varma & Varma

Chartered Accountants
FRN: 004532S

R Rajasekharan

Partner
M. No.22703
UDIN: 21022703AAAAAF3064

Kochi-19
May 17, 2021

For Borkar & Muzumdar

Chartered Accountants
FRN: 101569W

Devang Vaghani

Partner
M. No. 109386
UDIN: 21109386AAAAEV9122

Mumbai-55
May 17, 2021

Balance Sheet

as at March 31, 2021

(₹ in Thousand)

	Schedule	As at March 31, 2021	As at March 31, 2020
CAPITAL AND LIABILITIES			
Capital	1	3,992,301	3,985,325
Reserves and surplus	2	157,243,787	141,190,757
Deposits	3	1,726,444,801	1,522,900,849
Borrowings	4	90,685,033	103,724,263
Other Liabilities and provisions	5	35,307,956	34,579,275
TOTAL		2,013,673,878	1,806,380,469
ASSETS			
Cash and balances with Reserve Bank of India	6	76,470,407	61,749,085
Balances with banks and money at call and short notice	7	119,443,464	63,996,728
Investments	8	371,862,100	358,926,789
Advances	9	1,318,786,014	1,222,679,148
Fixed assets	10	4,911,286	4,799,853
Other assets	11	122,200,607	94,228,866
TOTAL		2,013,673,878	1,806,380,469
Contingent liabilities	12	364,173,432	344,600,704
Bills for collection		39,772,224	37,676,464
Significant accounting policies	17		
Notes on accounts	18		
Schedules referred to above form an integral part of the Balance Sheet			

For and on behalf of the Board of Directors

 Krishnakumar K
Executive Vice President

 Samir P Rajdev
Company Secretary

 Ashutosh Khajuria
Executive Director & CFO
(DIN: 05154975)

 Shalini Warriar
Executive Director
(DIN: 08257526)

 Venkatraman Venkateswaran
Group President

 Grace Elizabeth Koshie
Chairperson
(DIN: 06765216)

 Shyam Srinivasan
Managing Director & CEO
(DIN: 02274773)

As per our report of even date

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

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

 R Rajasekharan
Partner
Membership No: 22703
Place: Kochi

 Devang Vaghani
Partner
Membership No: 109386
Place: Mumbai

Directors:

 C Balagopal
A P Hota
K Balakrishnan
Siddhartha Sengupta
Manoj Fadnis
Sudarshan Sen
Varsha Vasant Purandare

 (DIN: 00430938)
(DIN: 02593219)
(DIN: 00034031)
(DIN: 08467648)
(DIN: 01087055)
(DIN: 03570051)
(DIN: 05288076)

 Place: Kochi
Date : May 17, 2021




Profit and Loss Account

for the year ended March 31, 2021

	Schedule	Year ended March 31, 2021	Year ended March 31, 2020
(₹ in Thousand)			
I. INCOME			
Interest earned	13	137,579,023	132,107,534
Other income	14	19,449,127	19,314,075
TOTAL		157,028,150	151,421,609
II. EXPENDITURE			
Interest expended	15	82,241,953	85,618,494
Operating expenses	16	36,917,229	33,756,132
Provisions and contingencies		21,965,995	16,619,172
TOTAL		141,125,177	135,993,798
III. PROFIT/LOSS			
Net profit for the year		15,902,973	15,427,811
Profit brought forward from Previous Year		26,166,675	21,742,841
		42,069,648	37,170,652
IV. APPROPRIATIONS			
Transfer to Revenue Reserve		2,295,718	1,474,611
Transfer to Statutory Reserve		3,975,743	3,856,953
Transfer to Capital Reserve		1,534,458	1,358,289
Transfer to Special Reserve		1,209,900	960,000
Dividend pertaining to previous year paid during the year (Note 4.2 E of Schedule 18)		-	2,782,229
Tax on dividend (Note 4.2 E of Schedule 18)		-	571,895
Balance carried over to Balance Sheet		33,053,829	26,166,675
TOTAL		42,069,648	37,170,652
Earnings per share (Face value of ₹ 2/- each) (₹) (Note 4.1 of Schedule 18)			
Basic		7.97	7.76
Diluted		7.94	7.70
Significant accounting policies	17		
Notes on accounts	18		
Schedules referred to above form an integral part of the Profit and Loss account			

For and on behalf of the Board of Directors

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As per our report of even date

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

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

R Rajasekhara
Partner
Membership No: 22703
Place: Kochi

Devang Vaghani
Partner
Membership No: 109386
Place: Mumbai

Directors:

C Balagopal (DIN: 00430938)
A P Hota (DIN: 02593219)
K Balakrishnan (DIN: 00034031)
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Manoj Fadnis (DIN: 01087055)
Sudarshan Sen (DIN: 03570051)
Varsha Vasant Purandare (DIN: 05288076)

Place: Kochi
Date : May 17, 2021

Cash Flow Statement

for the year ended March 31, 2021

(₹ in Thousand)

	Year ended March 31, 2021	Year ended March 31, 2020
Cash Flow from Operating Activities		
Net Profit before taxes	21,372,673	20,325,311
Adjustments for:		
Depreciation on Bank's Property	1,045,036	1,194,574
Depreciation on Investments	112,063	631,899
Amortisation of Premium on Held to Maturity Investments	1,421,890	740,116
Provision for Non Performing Investments	39,038	53,733
Provision / Charge for Non Performing Assets	15,157,272	10,104,711
Provision for Standard Assets	1,106,200	990,800
(Profit)/Loss on sale of fixed assets (net)	(17,804)	(53,538)
Provision for Restructured assets	(15,966)	(103,017)
Provision for Other Contingencies	97,688	43,546
	40,318,090	33,928,135
Adjustments for working capital changes:-		
(Increase)/ Decrease in Investments [excluding Held to Maturity Investments]	23,374,834	3,363,545
(Increase)/ Decrease in Advances	(111,264,139)	(130,554,322)
(Increase)/ Decrease in Other Assets	(27,405,049)	(25,712,129)
Increase/ (Decrease) in Deposits	203,543,952	173,357,405
Increase/ (Decrease) in Other liabilities and provisions	(515,759)	1,221,597
	87,733,839	21,676,096
Direct taxes paid	(5,979,875)	(6,763,477)
Net Cash Flow from / (Used in) Operating Activities	122,072,054	48,840,754
Cash Flow from Investing Activities		
Purchase of Fixed Assets	(1,177,923)	(1,304,656)
Proceeds from Sale of Fixed Assets	39,259	84,178
Investment in Subsidiary	586,080	(642,000)
Investment in Associate	7,997	(6,661)
(Increase)/ Decrease in Held to Maturity Investments	(38,477,212)	(44,822,695)
Net Cash generated / (Used in) Investing Activities	(39,021,799)	(46,691,834)





Cash Flow Statement (Contd...)

for the year ended March 31, 2021

(₹ in Thousand)

	Year ended March 31, 2021	Year ended March 31, 2020
Cash Flow from Financing Activities		
Proceeds from Issue of Share Capital	6,976	15,229
Proceeds from Share Premium	130,972	313,052
Proceeds from Issue of Subordinate Debt	-	3,000,000
Increase/(Decrease) in Borrowings (Excluding Subordinate Debt)	(13,039,229)	22,911,027
Dividend Paid (Including Tax on Dividend)	-	(3,354,125)
Net Cash generated from Financing Activities	(12,901,281)	22,885,183
Effect of exchange fluctuation on translation reserve	19,084	43,697
Net Increase in Cash and Cash Equivalents	70,168,058	25,077,800
Cash and Cash Equivalents at the beginning of the year	125,745,813	100,668,013
Cash and Cash Equivalents at the end of the year	195,913,871	125,745,813

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)

For and on behalf of the Board of Directors

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Sudarshan Sen (DIN: 03570051)
Varsha Vasant Purandare (DIN: 05288076)

Schedules Forming Part of The Balance Sheet

SCHEDULE 1 - CAPITAL

(₹ in Thousand)

	As at March 31, 2021	As at March 31, 2020
Authorised Capital	8,000,000	5,000,000
4,000,000,000 (Previous year 2,500,000,000) Equity Shares of ₹ 2/- each		
Issued Capital	3,994,991	3,988,015
1,997,495,543 (Previous year 1,994,007,367) Equity Shares of ₹ 2/-each		
Subscribed, Called-up and Paid-up Capital	3,992,305	3,985,329
1,996,152,748 (Previous year 1,992,664,572) Equity Shares of ₹2/-each		
Less: Calls in arrears	4	4
Total	3,992,301	3,985,325

Refer Note 4.2 of Schedule 18

SCHEDULE 2 - RESERVES AND SURPLUS

(₹ in Thousand)

	As at March 31, 2021	As at March 31, 2020
I. Statutory Reserve		
Opening balance	29,833,982	25,977,029
Additions during the year	3,975,744	3,856,953
	33,809,726	29,833,982
II. Capital Reserves		
a) Revaluation Reserve		
Opening balance	50,091	50,091
Additions during the year	-	-
	50,091	50,091
b) Others		
Opening balance	5,046,005	3,687,716
Additions during the year*	1,534,458	1,358,289
	6,580,463	5,046,005
Subtotal	6,630,554	5,096,096
III. Share premium (Refer Note 4.2 of Schedule 18)		
Opening balance	51,621,922	51,308,871
Additions during the year	130,972	313,051
	51,752,894	51,621,922





Schedules Forming Part of The Balance Sheet (Contd...)

(₹ in Thousand)

	As at March 31, 2021	As at March 31, 2020
IV. Revenue and Other Reserves		
a) Revenue Reserve		
Opening Balance	20,170,491	18,695,880
Additions during the year	2,295,718	1,474,611
Deductions during the year	-	-
	22,466,209	20,170,491
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, 1961)		
Opening balance	6,039,900	5,079,900
Additions during the year	1,209,900	960,000
	7,249,800	6,039,900
V. Foreign Currency Translation Reserve		
Opening Balance	63,488	19,791
Additions / (Deductions) during the year [Refer Schedule 17 (4.6)]	19,084	43,697
	82,572	63,488
VI. Contingency Reserve		
Opening balance	301,003	301,003
	301,003	301,003
VII. Balance in Profit and Loss Account	33,053,829	26,166,675
Total	157,243,787	141,190,757

* - 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 ₹ 1,523,907 Thousands (Previous year ₹ 1,336,850 Thousands)
b) Profit on sale of Premises ₹ 10,551 Thousands (Previous year ₹ 21,439 Thousands)

Schedules Forming Part of The Balance Sheet (Contd...)

SCHEDULE 3 - DEPOSITS

(₹ in Thousand)

	As at March 31, 2021	As at March 31, 2020
A. I. Demand Deposits		
i. From Banks	4,583,310	2,201,459
ii. From Others	114,019,518	80,196,806
	118,602,828	82,398,265
II. Savings Bank Deposits	468,522,891	385,344,370
III. Term Deposits		
i. From Banks	26,909,515	31,507,478
ii. From Others	1,112,409,567	1,023,650,736
	1,139,319,082	1,055,158,214
Total	1,726,444,801	1,522,900,849
B. I. Deposits of branches in India	1,726,402,894	1,522,024,966
II. Deposits of branches outside India	41,907	875,883
Total	1,726,444,801	1,522,900,849

SCHEDULE 4 - BORROWINGS

(₹ in Thousand)

	As at March 31, 2021	As at March 31, 2020
I. Borrowings in India		
i. Reserve Bank of India	-	19,880,000
ii. Other Banks	6,773,000	1,162,000
iii. Other institutions and agencies	62,220,105	56,947,272
Total	68,993,105	77,989,272
II. Borrowings outside India	21,691,928	25,734,991
Total	90,685,033	103,724,263
a) Secured borrowings included in I and II above	60,243,105	77,919,272
b) Tier II bond included in I(ii) & I(iii) above	3,000,000	3,000,000

SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS

(₹ in Thousand)

	As at March 31, 2021	As at March 31, 2020
I. Bills Payable	4,980,825	1,803,851
II. Inter - office adjustments (Net)	-	-
III. Interest accrued	2,128,428	3,041,262
IV. Others (including provisions)*	28,198,703	29,734,162
Total	35,307,956	34,579,275
<i>*Includes</i>		
(a) General provision for standard assets (Refer Note 1.4.9 of Schedule 18)	7,367,303	6,261,103
(b) Deferred Tax Liability (Net) (Refer Note 2.4 of Schedule 18)	167,975	111,457





Schedules Forming Part of The Balance Sheet (Contd...)

SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA

(₹ in Thousand)

	As at March 31, 2021	As at March 31, 2020
I. Cash in hand (including foreign currency notes)	16,671,921	13,736,894
II. Balance with Reserve Bank of India		
i. in Current Accounts	59,798,486	48,012,191
ii. in Other Accounts	-	-
Total	76,470,407	61,749,085

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

(₹ in Thousand)

	As at March 31, 2021	As at March 31, 2020
I. In India		
i. Balances with banks		
a. in Current Accounts	6,272,125	8,155,949
b. in Other Deposit Accounts	1,820,373	650,000
ii. Money at call and short notice		
a. With Banks	-	2,750,000
b. With other institutions	38,500,000	38,000,000
Total	46,592,498	49,555,949
II. Outside India		
i. in Current Accounts	12,060,693	5,704,165
ii. in Other Deposit Accounts	60,351,613	7,374,644
iii. Money at call and short notice	438,660	1,361,970
Total	72,850,966	14,440,779
Grand Total (I and II)	119,443,464	63,996,728

Schedules Forming Part of The Balance Sheet (Contd...)

SCHEDULE 8 - INVESTMENTS

(₹ in Thousand)

	As at March 31, 2021	As at March 31, 2020
I. Investments in India in :		
i. Government Securities #	327,826,425	317,607,101
ii. Other approved Securities	-	-
iii. Shares	4,457,628	4,359,624
iv. Debentures and Bonds	21,919,580	14,573,447
v. Subsidiaries/ Joint Ventures	5,208,080	4,622,000
vi. Others@	11,605,414	17,003,679
Total	371,017,127	358,165,851
II. Investments outside India		
i. Government Securities (including Local authorities)	840,738	756,555
ii. Subsidiaries / Joint Ventures abroad	-	-
iii. Other investments (Shares)	4,235	4,383
Total	844,973	760,938
Grand Total (I and II)	371,862,100	358,926,789
Gross Investments		
In India	375,350,838	362,598,461
Outside India	844,973	760,938
Total	376,195,811	363,359,399
Depreciation/ Provision for Investments		
In India	4,333,711	4,432,610
Outside India	-	-
Total	4,333,711	4,432,610
Net Investments		
In India	371,017,127	358,165,851
Outside India	844,973	760,938
Total	371,862,100	358,926,789

Securities costing ₹ 91,902,027 Thousands (Previous Year ₹ 70,234,352 Thousands) pledged for availment of fund transfer facility, clearing facility and margin requirements.

@ Comprises of:

(₹ in Thousand)

Particulars	As at March 31, 2021	As at March 31, 2020
Pass through certificates (PTCs)	3,319,135	3,179,372
Certificate of Deposits	4,998,672	8,426,645
Commercial Paper	484,080	1,952,494
Venture Capital Funds (VCFs)	1,102,906	963,367
Security Receipts	1,600,621	2,381,801
Mutual Fund	100,000	100,000
Others	-	-
Total	11,605,414	17,003,679





Schedules Forming Part of The Balance Sheet (Contd...)

SCHEDULE 9 - ADVANCES

(₹ in Thousand)

	As at March 31, 2021	As at March 31, 2020
A. i. Bills purchased and discounted	48,623,002	50,037,816
ii. Cash credits, overdrafts and loans repayable on demand	551,041,833	554,677,024
iii. Term loans	719,121,179	617,964,308
Total	1,318,786,014	1,222,679,148
B. i. Secured by tangible assets*	1,068,419,442	1,020,724,426
ii. Covered by Bank/Government guarantees #	17,765,602	23,853,476
iii. Unsecured	232,600,970	178,101,246
Total	1,318,786,014	1,222,679,148
C. I. Advances in India		
i. Priority sectors	356,182,092	296,524,927
ii. Public sector	805,144	1,307,504
iii. Banks	9,155,519	3,500,000
iv. Others	934,677,545	897,803,817
Total	1,300,820,300	1,199,136,248
C. II. Advances outside India (Refer note 3.11 of Schedule 18)		
i. Due from Banks	1,526,508	808,103
ii. Due from Others		
a) Bills purchased and discounted	-	-
b) Syndicated Loans	5,657,157	9,326,488
c) Others	10,782,049	13,408,309
Total	17,965,714	23,542,900
Grand Total (C I and C II)	1,318,786,014	1,222,679,148

* Includes Advances against book debts

Includes Advances against Letter of Credit issued by banks
(Advances are net of provisions)

Schedules Forming Part of The Balance Sheet (Contd...)

SCHEDULE 10 - FIXED ASSETS

(₹ in Thousand)

	As at March 31, 2021	As at March 31, 2020
A. Premises #		
Gross Block		
At the beginning of the year	2,402,232	2,416,139
Additions during the year	39,600	-
Deductions during the year	5,283	13,907
At the end of the year	2,436,549	2,402,232
Depreciation		
As at the beginning of the year	982,845	946,441
Charge for the Year	43,492	45,917
Deductions during the year	2,886	9,513
Depreciation to date	1,023,451	982,845
Net Block	1,413,098	1,419,387
B. Other fixed assets		
(including furniture and fixtures)		
Gross Block		
At the beginning of the year	11,762,163	11,564,553
Additions during the year	1,262,960	1,229,773
Deductions during the year	235,721	1,032,163
At the end of the year	12,789,402	11,762,163
Depreciation		
As at the beginning of the year	8,627,509	8,484,769
Charge for the year	1,001,544	1,148,657
Deductions during the year	216,663	1,005,917
Depreciation to date	9,412,390	8,627,509
Net Block	3,377,012	3,134,654
C. Capital Work in progress (Including Capital Advances)	121,176	245,812
Grand Total (A+B+C)	4,911,286	4,799,853

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 ₹ 453,476 Thousands (Previous Year ₹ 464,092 Thousands) with remaining lease period varying from 56 - 68 years.





Schedules Forming Part of The Balance Sheet (Contd...)

SCHEDULE 11 - OTHER ASSETS

(₹ in Thousand)

	As at March 31, 2021	As at March 31, 2020
I. Inter - office adjustments (net)	-	-
II. Interest accrued	11,758,881	10,227,723
III. Tax paid in advance/Tax Deducted at source (Net of provision)	11,196,839	10,630,146
IV. Stationery and Stamps	8,600	6,731
V. Non-banking assets acquired in satisfaction of claims*	16,259	24,376
VI. Others #	99,220,028	73,339,890
Total	122,200,607	94,228,866
* - Includes certain Non-Banking assets acquired in satisfaction of claims which are in the process of being transferred in the Bank's name.		
# Includes		
(a) Priority sector shortfall deposits	85,220,770	60,167,801
(b) Security deposits	1,425,206	795,808

SCHEDULE 12 - CONTINGENT LIABILITIES

(₹ in Thousand)

	As at March 31, 2021	As at March 31, 2020
I. Claims against the Bank not acknowledged as debts	17,439,418	14,556,410
II. Liability on account of outstanding forward exchange contracts**	260,669,140	247,702,742
III. Guarantees given on behalf of constituents - in India	67,442,288	65,911,076
IV. Acceptances, endorsements and other obligations	14,349,424	14,105,927
V. Other items for which the Bank is contingently liable@	4,273,162	2,324,549
Total	364,173,432	344,600,704

(Refer Note 4.7 of Schedule 18)

** - Including Derivatives

@ - includes ₹ 2,120,340 Thousands (Previous Year : ₹ 1,773,742 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).

Schedules Forming Part of the Profit and Loss Account

SCHEDULE 13 - INTEREST EARNED

(₹ in Thousand)

	Year ended March 31, 2021	Year ended March 31, 2020
I. Interest/discount on advances/bills	107,951,229	106,708,679
II. Income on investments	23,489,390	21,840,716
III. Interest on balances with Reserve Bank of India and other inter-bank funds	3,681,644	1,399,639
IV. Others*	2,456,760	2,158,500
Total	137,579,023	132,107,534

* - Includes interest on Income tax refunds amounting to ₹ 87,514 thousands (Previous year ₹ Nil) accounted based on Assessment orders received.

SCHEDULE 14 - OTHER INCOME

(₹ in Thousand)

	Year ended March 31, 2021	Year ended March 31, 2020
I. Commission, exchange and brokerage	10,374,354	9,894,858
II. Profit on sale of investments (Net)	6,088,401	6,078,431
III. Profit on revaluation of investments (Net)	-	-
IV. Profit / (Loss) on sale of land, buildings and other assets (Net)	17,804	53,538
V. Profit on foreign exchange/derivative transactions (Net)	1,939,989	2,183,131
VI. Income earned by way of dividends etc. subsidiaries / associates and / or joint ventures.	-	305,747
VII. Miscellaneous income**	1,028,579	798,370
Total	19,449,127	19,314,075

** - Includes Recoveries in assets written off ₹ 810,108 Thousands (Previous year ₹ 522,418 Thousands)

SCHEDULE 15 - INTEREST EXPENDED

(₹ in Thousand)

	Year ended March 31, 2021	Year ended March 31, 2020
I. Interest on deposits	78,046,698	81,003,652
II. Interest on Reserve Bank of India/Inter bank borrowings	419,646	914,103
III. Others	3,775,609	3,700,739
Total	82,241,953	85,618,494

SCHEDULE 16 - OPERATING EXPENSES

(₹ in Thousand)

	Year ended March 31, 2021	Year ended March 31, 2020
I. Payments to and provisions for employees	20,341,849	17,723,605
II. Rent, taxes and lighting	2,934,869	2,945,396
III. Printing and stationery	241,178	246,643
IV. Advertisement and publicity	91,913	113,763
V. Depreciation on Bank's property	1,045,036	1,194,574
VI. Directors' fees, allowances and expenses	22,161	22,156
VII. Auditors' fees and expenses (including branch auditors' fees and expenses)	81,779	92,744
VIII. Law charges	112,838	122,333
IX. Postage, Telegrams, Telephones etc	769,701	747,670
X. Repairs and maintenance	662,773	716,190
XI. Insurance	1,914,870	1,420,978
XII. Other expenditure#	8,698,262	8,410,080
Total	36,917,229	33,756,132

- Includes expenditure on Corporate Social Responsibility - ₹ 352,242 Thousands (Previous Year: ₹ 423,980 Thousands)





SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES APPENDED TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021

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 1272 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 Standalone Financial Statements ('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 as otherwise stated. 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 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 of investments is accounted 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:

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- a) Held for Trading /Available for Sale – Investments classified under the AFS and HFT categories are marked-to-market. The market/fair value of quoted investments included in the 'AFS' and 'HFT' categories is the Market Price of the Scrip as available from the trades/ quotes on the stock exchanges or prices declared by Primary Dealers Association of India ('PDAI') jointly with Fixed Income Money Market and Derivative Associations of India ('FIMMDA') / 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. The depreciation on securities acquired on conversion of outstanding loan is provided in accordance with RBI guidelines. 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 is not available, the shares are valued at ₹ 1 per company based on the stipulated norms as per RBI circular.
 - Units of Venture Capital Funds (VCF) held under AFS category where current quotations are not available are marked to market based on the Net Asset Value (NAV) shown by VCF as per the latest audited financials of the fund. In case the 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.
 - Investments in Security Receipts are valued as per the latest NAV obtained from issuing Asset Reconstruction Companies, subject to floor provision requirements as per RBI guidelines.
- f) Investments in subsidiaries/associates as per RBI guidelines are 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





SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES APPENDED TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD...)

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.

Short Sales

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

4.2 Advances

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, 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 makes additional provisions as per RBI's guidelines on 'Prudential Framework on Resolution of Stressed Assets' dated June 7, 2019 on accounts in default and with aggregate exposure above the threshold limits as laid down in the said framework where the resolution plan is not implemented within the specified timeline.

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

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

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

4.3 Securitisation and transfer of assets

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

The bank transfers advances through inter-bank participation with and without risk. In accordance with

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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.

4.4 Country risk

In addition to the provisions required to be held according to the asset classification status, provisions are held for individual country exposure (other than for home country). The countries are categorised into seven risk categories namely insignificant, low, 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.

4.5 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'.

4.6 Transactions involving foreign exchange

In respect of domestic operations:

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

In respect of Non-Integral Foreign Branches:

- Income and expenditure items are translated at quarterly average closing rates.
- Both Monetary and Non- Monetary foreign currency Assets and liabilities are translated at closing exchange rates notified by FEDAI at the balance sheet date.

- The resulting profit/loss arising from exchange differences are accumulated in Foreign Currency Translation Reserve until remittance or the disposal of the net investment in the non-integral foreign operations in accordance with AS-11. Any realised gains or losses on such disposal are recognised in the Profit and Loss Account.

Valuation of Foreign Exchange Spot and Forward Contracts

- Foreign exchange spot and forward Contracts (Other than the forwards / swaps marked under Funding category) outstanding as at the Balance Sheet date are revalued at the closing Spot and Forward Rates respectively as notified by FEDAI and at interpolated / extrapolated rates for contracts of interim maturities.
- For valuation of contracts having longer maturities i.e. greater than one year, the forward points (for rates/ tenures not published by FEDAI) are obtained from Reuters for valuation of the FX Deals.
- As per directions of FEDAI, the profit or loss is considered on present value basis by discounting the forward profit or loss till the valuation date using discounting yields. The resulting profit or loss on valuation is recognized in the Profit and Loss Account.

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

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

4.7 Derivative transactions

The Bank 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.

4.8 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.





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- Interest on income tax refund is recognised in the year of receipt of Assessment Orders.
- The recoveries made from NPA accounts are appropriated based on "first in first out" policy; i.e. the earliest entry shall be realized first. If different entries are made in the account on the same day, the realization shall be in the order of charges, interest, and principal.
- 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.

4.9 Fixed assets and depreciation

Fixed assets are carried at cost of acquisition less accumulated depreciation and impairment, if any. Cost includes cost of purchase and all expenditure like freight, duties, taxes and incidental expenses related to the acquisition and installation of the asset. Taxes like GST paid on Fixed assets wherever eligible are availed as ITC as per GST rules. Subsequent expenditure incurred on assets put to use is capitalised only when it increases the future economic benefit / functioning capability from / of such assets.

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

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

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

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

Asset	Estimated useful life as assessed by the Bank
Leasehold Land	Over the lease period
Owned premises	60 Years
Motor Vehicles	8 Years
Computer hardware	3 Years
Modem, scanner, routers, switches etc.	3 Years
ATM / CDM / Recyclers etc.	5 Years
Electric equipment and installations	10 Years
Furniture and fixtures	10 Years
Software / Firewall etc.	3 / 5 Years
Servers/Network Equipment	6 Years
Currency Sorting Machines	5 Years
Office equipments	5 Years

Depreciation on assets sold during the year is recognised on a pro-rata basis till the date of sale. Gain or losses arising from the retirement or disposal of Fixed Assets are

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determined as the difference between the net disposal proceeds and the carrying amount of assets and recognised as income or expense in the Profit and Loss Account. Further, Profit on sale of premises is appropriated to Capital Reserve account (Net of applicable taxes and transfer to statutory reserves) in accordance with RBI instructions.

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

4.10 Impairment of Assets

The Bank assesses at each Balance Sheet date whether there is any indication 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.

4.11 Non-Banking Assets

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

4.12 Lease transactions

Operating Lease

Leases where the lessor effectively retains substantially all the risks and benefits of ownership over the lease term are classified as operating lease. Lease payments for assets taken on operating lease are recognised as an expense in the Profit and Loss Account as per the lease terms.

4.13 Retirement and other employee benefits

a) Provident Fund

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

b) Pension Fund

Employees covered under pension scheme are entitled to get pension benefits, which is a defined benefit plan. The Bank contributes at specific rates of the salary

to the Federal Bank (Employees') Pension Fund Trust set up by the Bank and administered by the Trustees. Additional amount being the liability shortfall as ascertained by an independent actuary, contributed towards The Federal Bank Employees' Pension Fund, is determined on actuarial basis on projected unit credit method as on the Balance Sheet dates. The contribution made by the bank to Federal Bank Employees' Pension Fund is charged to the Profit and Loss account.

c) Gratuity

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

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')

In respect of employees who are covered under NPS, the Bank contributes certain percentage of the sum of basic salary and dearness allowance of employees to the aforesaid scheme, a defined contribution plan, which is managed and administered by pension fund management companies and regulated by PFRDA. NPS contributions are recognised in the Profit and





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Loss Account in the period in which they accrue. The Bank has no liability other than its contribution, and recognises such contributions as an expense in the year incurred

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.

4.14 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 and such costs are recognized in the Profit and Loss account.

4.15 Taxation

Income tax expense is the aggregate amount of current tax and deferred tax charge.

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

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.

4.16 Share issue expenses

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

4.17 Corporate Social Responsibility

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

4.18 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.

4.19 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

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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.

4.20 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.

4.21 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 Segment information

The disclosure relating to segment information is in accordance with AS-17, Segment Reporting and as per guidelines issued by RBI.

4.23 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. The same is recognised in the year of actual payout post approval of shareholders. However, the Bank reckons proposed dividend in determining capital funds in computing the capital adequacy ratio.

4.24 Cash and Cash Equivalents

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





SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021

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, 2021 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:

(₹ in Crore)

Particulars	As at March 31, 2021	As at March 31, 2020
Common Equity Tier 1*	15,454.61	14,056.92
Tier 1 Capital	15,454.61	14,056.92
Tier 2 Capital	868.13	1,118.08
Total Capital	16,322.74	15,175.00
Total risk weighted assets	111,620.65	105,785.95
Capital Ratios		
Common Equity Tier 1	13.85%	13.29%
Tier 1 Capital	13.85%	13.29%
Tier 2 Capital	0.78%	1.06%
Total Capital to Risk Weighted asset Ratio (CRAR)	14.62%	14.35%
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 1 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 ₹ 0.70 per share (Previous year: Nil). (Refer Note 4.2 E also)

During the year ended March 31, 2020, the bank had raised ₹ 300.00 Crore Tier 2 capital by way of issuance of Basel III compliant Tier 2 Bonds, the details of which are set out below.

Instrument	Capital	Date of Maturity	Period	Coupon	Amount (₹ in Crore)
Subordinated Debt	Tier 2	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.

SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD...)
1.2. Investments
1.2.1. Details of Investments:

(₹ in Crore)

Particulars	March 31, 2021	March 31, 2020
(1) Value of Investments		
(i) Gross Value of Investments		
(a) In India	37,535.08	36,259.85
(b) Outside India	84.50	76.09
(ii) Provision for Depreciation		
(a) In India	333.28	347.07
(b) Outside India	-	-
(iii) Provision for Non-performing investments		
(a) In India	100.09	96.19
(b) Outside India	-	-
(iv) Net value of Investments		
(a) In India	37,101.71	35,816.59
(b) Outside India	84.50	76.09
(2) Movement of provision held towards depreciation on Investments		
(i) Opening Balance	347.07	308.98
(ii) Add: Provisions made during the year	28.50	59.61
(iii) Less: Write off / Write back of excess provision during the year	42.29	21.52
(iv) Closing Balance	333.28	347.07
(3) Movement of provision for Non-performing investments (NPIs)		
(i) Opening Balance	96.19	90.82
(ii) Add: Provisions made during the year	29.44	24.15
(iii) Less: Write off / Write back of excess provision during the year	25.54	18.78
(iv) Closing Balance	100.09	96.19

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 19.38% (Previous year 18.97%) of demand and time liabilities as at the end of March 31, 2021 as against permitted ceiling of 22 % (Previous Year: 19.50%) stipulated by RBI.
- In respect of securities held under HTM category premium of ₹ 142.19 Crore (Previous year: ₹ 74.01 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 ₹ 273.07 Crore (Previous year: ₹ 235.44 Crore) has been taken to Profit and Loss Account. This includes Profit on redemption on maturity of investments amounting to ₹ 0.97 Crores. During the year, the Bank had appropriated ₹ 152.39 Crore (Previous year ₹ 133.69 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. (Also Refer Note 1.2.5)
- 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, 2021, the bank is maintaining an IFR of ₹ 189.72 Crore (Previous Year: ₹ 189.72 Crore) as against the minimum requirement of ₹ 112.10 Crore (Previous Year: ₹ 159.37 Crore) and considered it as part of Tier II capital for capital adequacy purposes.





SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD...)

1.2.3. Repo Transactions

Details of securities sold/purchased (in face value terms) during the years ended March 31, 2021 under repos/reverse repos:

(₹ in Crore)

Particulars	Outstanding during the year			As at March 31, 2021
	Minimum	Maximum	Daily Average	
A) Securities sold under RBI Repos				
i) Government Securities	-	2,788.00	924.43	-
ii) Corporate Debt Securities	-	-	-	-
Securities purchased under RBI Reverse Repos				
i) Government Securities	-	16,350.00	9,227.07	3,700.00
ii) Corporate Debt Securities	-	-	-	-
B) Securities sold under Market Repos				
i) Government Securities	-	3,479.39	1,351.61	1,226.48
ii) Corporate Debt Securities	-	-	-	-
Securities purchased under Reverse Market Repos				
i) Government Securities	-	1,618.47	75.65	-
ii) Corporate Debt Securities	-	-	-	-
C) Securities sold under TREPS				
i) Government Securities	-	5,476.95	2,717.40	3,081.90
ii) Corporate Debt Securities	-	-	-	-
Securities purchased under TREPS				
i) Government Securities	-	1,853.00	36.96	-
ii) Corporate Debt Securities	-	-	-	-

Details of securities sold/purchased (in face value terms) during the year 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	-	-	-	-
C) Securities sold under TREPS				
i) Government Securities	-	1,575.00	209.12	729.60
ii) Corporate Debt Securities	-	-	-	-
Securities purchased under TREPS				
i) Government Securities	-	300.00	7.34	-
ii) Corporate Debt Securities	-	-	-	-

SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD...)

1.2.4. Details of Non-SLR investment portfolio –

a) Issuer composition as at March 31, 2021 of Non-SLR investments

(₹ in Crore)

Sr. 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	648.63	641.50	-	-	-
2	Financial Institutions	204.85	174.86	-	-	-
3	Banks	984.62	983.22	-	-	-
4	Private Corporates	1,434.02	1,419.03	9.04	-	233.55
5	Subsidiaries / Joint ventures	765.31	765.31	-	-	5.00
6	Others*	799.51	715.44	493.33	-	5.00
7	Less: Provision held towards depreciation on investment	333.28	XXX	XXX	XXX	XXX
8	Less: Provision held towards non- performing investments	100.09	XXX	XXX	XXX	XXX
Total		4,403.57	4,699.36	502.37	-	243.55

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

* Includes investments in Non-SLR government securities amounting to ₹ 84.32 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, commercial papers and certificate of deposits in line with RBI guidelines.

Issuer composition as at March 31, 2020 of Non-SLR investments

(₹ in Crore)

Sr. 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.





SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD...)

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

(₹ in Crore)

Particulars	March 31, 2021	March 31, 2020
Shares	445.76	435.96
Debentures and Bonds*	2,191.96	1,457.35
Subsidiaries/Joint Ventures	520.81	462.20
Others #	1,160.54	1,700.37
Investment outside India	84.50	76.09
Total	4,403.57	4,131.97

* Includes Investments in Non-SLR government securities amounting to ₹ 0.25 Crore (Previous year: ₹ 0.25 Crore).

Includes investment in certificate of deposits, Commercial papers, Mutual Funds, PTC, Security Receipts & VCF.

c) Non-performing Non-SLR investments is set out below:

(₹ in Crore)

Particulars	March 31, 2021	March 31, 2020
Opening Balance	96.46	93.08
Additions during the year	35.16	22.16
Reductions during the year*	25.00	18.78
Closing Balance	106.62	96.46
Total Provision held	100.09	96.19

* - Transfer to Overdue Investments ₹ 25.00 Crore (Previous Year: ₹ 18.78 Crore), Provision held ₹ 25.00 Crore (Previous Year: ₹ 18.78 Crore)

1.2.5. Sale and transfers to/ from HTM Category

During the year ended March 31, 2021 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 2020-21.

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

1.2.6 Details of Investment Category-wise:

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

(₹ in Crore)

Particulars	March 31, 2021				March 31, 2020			
	HFT	AFS	HTM	TOTAL	HFT	AFS	HTM	TOTAL
Government Securities	-	1,611.10	31,255.62	32,866.72	-	4,027.57	27,808.80	31,836.37
Other Approved Securities	-	-	-	-	-	-	-	-
Shares	-	446.18	520.81	966.99	-	436.40	462.20	898.60
Debentures & Bonds	-	2,056.91	135.05	2,191.96	-	1,457.09	0.25	1,457.34
Others	-	1,057.59	102.95	1,160.54	49.84	1,554.28	96.25	1,700.37
Total	-	5,171.78	32,014.43	37,186.21	49.84	7,475.34	28,367.50	35,892.68

SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD...)
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)

Sr. No.	Particulars	March 31, 2021	March 31, 2020
(i)	Notional principal amount of exchange traded interest rate derivatives undertaken during the year (instrument-wise)		
a)	7.17 G-Sec 2028	-	210.20
b)	6.45 G-Sec 2029	-	517.80
c)	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, 2021 and March 31, 2020. As at March 31, 2021 and March 31, 2020 the open contracts on the exchange was Nil.

1.3.2 Forward Rate Agreement (FRA)/ Interest Rate Swap (IRS)

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

(₹ in Crore)

Particulars	March 31, 2021	March 31, 2020
(i) The notional principal of swap agreements	2,373	3,298.00
(ii) Losses which would be incurred if counter parties failed to fulfil their obligations under the agreements	12.17	15.95
(iii) Collateral required by the bank upon entering into swaps	Nil	Nil
(iv) Concentration of credit risk arising from the swaps	39.10	42.43
(v) The fair value of the swap book	4.95	(10.86)

The nature and terms of the IRS as on March 31, 2021 are set out below:

Nature	Nos.	Notional Principal	Benchmark	Terms
Trading	39	₹ 1,100.00 Crore	MIOIS	Fixed payable v/s floating receivable
Trading	37	₹ 925.00 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, 2020 are set out below:

Nature	Nos.	Notional Principal	Benchmark	Terms
Trading	54	₹ 1,750.00 Crore	MIOIS	Fixed payable v/s floating receivable
Trading	41	₹ 1,200.00 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 bank has not undertaken any transactions in Credit Default Swaps (CDS) during the year ended March 31, 2021 and March 31, 2020.





SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD...)

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 office and mid office as per regulatory guidelines. The MTM position of the derivative portfolio is monitored on a regular basis. The impact on derivative portfolio on account of the probable market movements are assessed on regular basis. The risk profile of the outstanding portfolio is reviewed by the Board at regular intervals.

Interest rate contracts

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

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

Exchange rate contracts

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

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

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

SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD...)
(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 Domestic or foreign currency assets/liabilities subject to the prevailing regulatory guidelines. Transactions for hedging and trading are recorded separately. For hedge transactions, the Bank identifies the hedged item (asset or liability) at the inception of the transaction itself. The effectiveness is ascertained at the time of inception of the hedge and periodically thereafter. Transactions related to foreign exchange forward, Interest rate Future/IRS/ Currency future are marked to market every month and the MTM is accounted in the books.

(c) Collateral Security

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

(d) Credit Risk Mitigation

Most of the deals have been contracted with Banks/ Major PDs and no default risk is anticipated on the deals with them. Exposure against clients, is mitigated by collecting proper collateral securities / margin as envisaged by the credit sanctioning team as per the sanction order.

Quantitative Disclosures

Sr. No.	Particulars	Currency Derivatives*		Interest rate Derivatives	
		Year ended March 31, 2021	Year ended March 31, 2020	Year ended March 31, 2021	Year ended March 31, 2020
(i)	Derivatives (Notional Principal Amount) (₹ in Crore)				
a)	For hedging	-	-	-	-
b)	For trading	3,776.05	4,168.43	2,373.00	3,298.00
(ii)	Marked to Market positions				
a)	Asset (+)	45.05	122.36	56.85	75.96
b)	Liabilities (-)	30.03	112.10	51.90	86.81
(iii)	Credit Exposure	417.13	424.06	39.10	31.37
(iv)	Likely impact of one percentage change in interest rate (100*PV01)				
a)	on hedging derivatives	-	-	-	-
b)	on trading derivatives	0.46	0.47	0.42	0.63
(v)	Maximum and Minimum of 100*PV01 observed during the year				
a)	on hedging	-	-	-	-
b)	on trading	Max = 0.48 Min = 0.46	Max = 0.47 Min = 0.40	Max = 8.23 Min = 0.42	Max = 0.63 Min = 0.61

*excludes forward exchange contract.

- The notional principal amount of forward exchange contracts classified as Hedging and Trading outstanding as on March 31, 2021 amounted to ₹ 5,205.84 Crore (Previous year ₹ 2,429.34 Crore) and ₹ 5,163.85 Crore (Previous year ₹ 9,393.09 Crore) respectively. For the hedging contracts, as at March 31, 2021 the marked to market position was asset ₹ 116.43 crores and liability of ₹ 38.38 crores (Previous year asset ₹ 23.80 crores and liability of ₹ 45.31 crores). For the trading contract, as at March 31, 2021 the marked to market position was asset ₹ 39.00 crores and liability of ₹ 260.86 crores (Previous year asset ₹ 148.80 crores and liability of ₹ 154.24 crores). Credit exposure on forward exchange contracts at March 31, 2021 was ₹ 1,026.33 Crore (Previous year ₹ 934.86 Crore). The notional principal amounts of derivatives reflect the volume of transactions outstanding as at the Balance Sheet date and do not represent the amounts at risk.





SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD...)

- Interest rate derivative represents interest rate swaps.
- The bank has computed the maximum and minimum of PV01 for the year based on the daily balances for Interest rate Derivatives and month end balances for Currency Derivatives.
- In respect of derivative contracts, the bank evaluates the credit exposure arising therefrom, in line with RBI guidelines. Credit exposure has been computed using the current exposure method which is the sum of :
 - a) The current replacement cost (Marked to Market value including accruals of the contract) or zero whichever is higher.
 - b) The Potential Future Exposure (PFE) is a product of the notional principal amount of the contract and a factor that is based on the grid of credit conversion factor prescribed in RBI Guidelines, which is applied on the basis of the residual maturity and the type of contract.

1.4. Asset Quality

1.4.1 Net non-performing assets

Particulars	March 31, 2021 (%)	March 31, 2020 (%)
Net non-performing assets as a percentage of net advances.	1.19	1.31

1.4.2 Movement in gross non-performing assets (NPAs)

(₹ in Crore)

Particulars	Investments		Advances	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
Gross NPAs as at the beginning of the year	96.46	93.08	3,530.83	3,260.68
Add: Fresh NPAs during the year	35.17	22.16	1,921.90	1,918.80
Less: -				
(i) Upgradations	-	-	86.23	403.69
(ii) Recoveries (excluding recoveries made from upgraded accounts)	-	-	366.60	510.77
(iii) Technical/Prudential Write-offs	-	-	357.87	663.07
(iv) Write-offs other than those under (iii) above	-	-	39.64	71.12
(v) Reduction by Sale of Assets to ARCs	-	-	-	-
(vi) Transfer to Overdue Investments	(25.00)	(18.78)	NA	NA
Gross NPAs at the end of the year	106.63	96.46	4,602.39	3,530.83

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

NA – Not applicable

1.4.3 Movement in net non-performing assets

(₹ in Crore)

Particulars	Investments		Advances	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
Opening balance	0.27	2.27	1,607.17	1,626.20
Additions during the year	6.26	-	213.35	626.39
Reductions during the year	-	2.00	251.24	645.42
Closing balance at the end of the year	6.53	0.27	1,569.28	1,607.17

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

SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD...)

1.4.4 Movement in provisions for non-performing assets

(₹ in Crore)

Particulars	Investments		Advances	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
Opening balance	96.19	90.82	1,885.27	1,606.32
Intra-Category Transfer	-	-	-	-
Provisions made during the year	29.44	24.15	1,711.94	1,280.45
Write-offs/ (write back) of excess provision	(25.54)	(18.78)	(599.10)	(1,001.50)
Closing balance at the end of the year	100.09	96.19	2,998.11	1,885.27

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 2019-20 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.





SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD...)

1.4.6 A) Particulars of Accounts Restructured

Details of loan assets subjected to restructuring during the year ended March 31, 2021:

Type of Restructuring Asset Classification	Under CDR Mechanism			Under SME Debt Restructuring Mechanism			Others			Total					
	Standard	Sub- Standard	Doubtful	Loss	Total	Standard	Sub- Standard	Doubtful	Loss	Total	Standard	Sub- Standard	Doubtful	Loss	Total
No. of borrowers	-	-	4.00	1.00	5.00	-	-	-	-	-	1,064.00	231.00	65.00	55.00	1,415.00
Amount	-	-	47.88	-	47.88	-	-	-	-	-	263.41	7.91	44.32	1.28	316.92
Restructured accounts as at April 01, 2020 (Opening Balance)	-	-	42.21	3.78	45.99	-	-	-	-	-	1.09	1.09	0.15	12.17	13.41
Provision thereon	-	-	-	-	-	12.83	-	3.83	-	16.66	12.83	-	3.83	-	16.66
No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Amount	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Movement in balance for accounts appearing under opening balance	-	-	-	-	-	(2.05)	(0.79)	(0.92)	-	(3.76)	(2.05)	(0.79)	(0.92)	-	(3.76)
b) Other facility	-	-	-	-	-	0.10	-	-	-	0.10	0.10	-	-	-	0.10
Provision thereon	-	-	-	-	-	(0.19)	-	(1.23)	-	(1.42)	(0.19)	-	(1.23)	-	(1.42)
No. of borrowers	-	-	-	-	-	3,576.00	76.00	-	1.00	3,653.00	3,576.00	76.00	-	1.00	3,653.00
Amount	-	-	-	-	-	1,360.46	25.44	-	0.16	1,386.06	1,360.46	25.44	-	0.16	1,386.06
Fresh Restructuring during the year ended March 31, 2021 ¹	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
b) Other facility	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Provision thereon	-	-	-	-	-	117.38	0.09	-	-	117.47	117.38	0.09	-	-	117.47
No. of borrowers	-	-	-	-	-	11.00	(9.00)	(2.00)	-	11.00	(9.00)	(2.00)	-	-	-
Amount	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Upgradation to restructured standard category during the year ended March 31, 2021	-	-	-	-	-	0.11	(0.08)	(0.03)	-	0.11	(0.08)	(0.03)	-	-	-
b) Other facility	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
No. of borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Restructured Standard Advances which cease to attract higher provisioning and/or additional risk weight at the end of March 31, 2021	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Amount	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Outstanding – (a) Restructured facility	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
b) Other facility	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD...)

1.4.6 A) Particulars of Accounts Restructured

Details of loan assets subjected to restructuring during the year ended March 31, 2020: (Contd...)

Type of Restructuring Asset Classification	Under CDR Mechanism			Under SME Debt Restructuring Mechanism			Others			Total			
	Standard	Sub-Doubtful	Loss	Standard	Sub-Doubtful	Loss	Standard	Sub-Doubtful	Loss	Standard	Sub-Doubtful	Loss	
Downgradation of restructured accounts during the year ended March 31, 2020 ^a	(1.00)	-	1.00	-	-	-	(243.00)	14.00	9.00	(244.00)	220.00	15.00	9.00
Amount Outstanding - year ended March 31, 2020 ^a	(28.79)	-	28.79	-	-	-	(10.68)	7.34	0.25	(9.47)	7.34	31.88	0.25
b) Other facility	(22.16)	-	22.16	-	-	-	-	-	-	(22.16)	-	22.16	-
Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-offs of restructured accounts during the year ended March 31, 2020 ^b	-	(1.00)	-	(1.00)	-	-	(271.00)	(6.00)	(13.00)	(298.00)	(6.00)	(9.00)	(13.00)
Amount Outstanding - year ended March 31, 2020 ^b	-	(17.75)	-	(17.75)	-	-	(279.42)	(0.04)	(34.89)	(588.82)	(0.04)	(292.22)	(34.89)
b) Other facility	-	-	-	-	-	-	-	-	-	-	-	-	-
Provision thereon	-	-	-	-	-	-	(47.06)	-	-	(47.06)	-	-	(47.06)
Restructured accounts as at March 31, 2020 (closing figures) ^c	-	4.00	1.00	5.00	-	-	1,064.00	231.00	55.00	1,415.00	231.00	69.00	56.00
Amount Outstanding - year ended March 31, 2020 (closing figures) ^c	-	47.88	-	47.88	-	-	263.41	7.91	1.28	316.92	263.41	7.91	1.28
b) Other facility	-	42.21	3.78	45.99	-	-	1.09	-	12.17	13.41	1.09	42.36	15.95
Provision thereon	-	-	-	-	-	-	12.83	-	-	16.66	12.83	-	3.83
													16.66

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, 2019
4. Other Facility includes ₹ 58.16 Crore in investment





SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD...)

1.4.6 B) Additional Disclosures with relation to Certain Restructuring / Relief Schemes:

1. Flexible Structuring of Existing Loans as at March 31, 2021: 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, 2021: Nil (Previous Year: Nil)
4. Change in Ownership of Projects under Implementation (accounts which are currently under the stand-still period) at March 31, 2021: Nil (Previous Year: Nil)

5. Disclosures on the Scheme for Sustainable Structuring of Stressed Assets (S4A)

March 31, 2021

(₹ 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	1	25.13	15.08	10.05	25.13

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

6. Details of MSME accounts restructured as per RBI circular Nos.DBR.No.BP.BC.18/21.04.048/2018-19 dated January 1, 2019, DOR.No.BP.BC.34/21.04.048/2019-20 dated February 11, 2020 and DOR.No.BP.BC/4/21.04.048/2020-21 dated August 6, 2020

Position as on March 31, 2021

(₹ in Crore)

Number of accounts restructured	Amount Restructured	Amount outstanding
529	653.20	536.65

Position as on March 31, 2020

(₹ in Crore)

Number of accounts restructured	Amount Restructured	Amount outstanding
76	120.44	100.09

7. COVID-19 – Uncertainties, Regulatory Packages, Asset Classification and Provisioning

On account of uncertainties arising from the COVID-19 pandemic across the world and in India, including the current 'second wave' which has resulted in imposition of renewed restrictions in various parts of the country, the extent to which the same will impact the Bank's operations and financial position will depend on various aspects including actions taken to mitigate its impact and other regulatory measures. The Bank's capital and liquidity position is strong and would continue to be the focus area for the Bank during this period.

As per the 'COVID-19 Regulatory Packages' announced by the RBI ('the RBI guidelines'), with regard to providing relief to borrowers, 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 August 31, 2020, including relaxation in certain parameters to all eligible borrowers, without considering the same as

SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD...)

restructuring. In respect of such accounts that were granted moratorium, the asset classification remained standstill during the moratorium period.

The Honourable Supreme Court in a writ petition by Gajendra Sharma Vs Union of India & Anr vide its interim order dated September 3, 2020 had directed Banks that the accounts which were not declared Non performing asset (NPA) till August 31, 2020 shall not be declared NPA till further orders, pending disposal of the case by Supreme Court. Pursuant to the order, the Bank had not declared any account as NPA, which was not declared as NPA till August 31, 2020 as per the RBI Prudential norms on Income Recognition, Asset classification, and provisioning pertaining to advances., The interim order to not declare accounts as NPA has been vacated by the Honourable Supreme Court on March 23, 2021 vide judgement in the matter of Small-Scale Industrial Manufacturers Association vs. UOI & Ors and RBI has issued a circular dated April 07, 2021 thereon, in accordance with which the Bank has made the asset classification of borrower accounts which were granted moratorium as above, as per the applicable extant IRAC norms with effect from September 1, 2020.

Further, the Bank has permitted restructuring of eligible borrower accounts affected by the pandemic stress in accordance with the resolution framework prescribed by RBI and offered other relief measures under the various concessional schemes.

Provisions have been created by the Bank in respect of the above stated COVID-19 assistance schemes provided by the Bank to the borrowers, and in the opinion of the management, the provisions held are considered adequate based on the current facts and circumstances

8. COVID-19 Regulatory Package - Disclosures

The disclosures as required under RBI circular DOR.No.BP.BC.63/21.04.048/2019-20 dated April 17, 2020

(₹ in Crore)

	March 31, 2021
Amounts in SMA/overdue categories where the moratorium/deferment was extended on March 31, 2020*	3,712.62
Amounts where asset classification benefit is extended, determined based on position as at September 30, 2020#	732.35
Provisions made on such accounts	73.23
Provisions adjusted against slippages in terms of paragraph 6 of the circular	38.49
Residual provision utilised for other accounts in terms of paragraph 6 of the circular	34.74

* - Balance Outstanding as on March 31, 2020

- Balance Outstanding as on March 31, 2021

(₹ in Crore)

	March 31, 2020
Amounts in SMA/overdue categories, where the moratorium/deferment was extended	3,712.62
Amount where asset classification benefit is extended	302.66
Provisions made on such accounts	30.27
Provisions adjusted against slippages in terms of paragraph 6 of the circular	NA
Residual provision utilised for other accounts in terms of paragraph 6 of the circular	-

9. COVID-19 Regulatory Package – Review of Resolution Timelines under the Prudential Framework of Resolution of Stressed Assets

(₹ in Crore)

	March 31, 2021	March 31, 2020
No. of accounts in which Resolution Period was extended	1	-
Amount Involved	16.91	-





SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD...)

10. Implementation of Resolution Plans (RPs):

Cases eligible for RPs during the year ended March 31, 2021		RPs Successfully implemented during the year ended March 31, 2021		RPs under implementation during the year ended March 31, 2021	
Balance Outstanding (₹ in Crore)	No. of cases	Balance Outstanding (₹ in Crore)	No. of cases	Balance Outstanding (₹ in Crore)	No. of cases
394.44	9	-	-	394.44	9

Out of the above, 4 cases are technically written off in our books amounting to total of ₹ 318.07 Cr.

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	Balance Outstanding (₹ in Crore)	No. of cases
393.64	9	-	-	393.64	9

Out of the above, 4 cases are fully provided in our books amounting to total of ₹ 317.93 Cr.

11. Details of resolution plan implemented under the Resolution Framework for COVID-19-related Stress as per RBI circular dated August 6, 2020 are given below.

(₹ in crores except number of accounts)

Type of borrower	(A) Number of accounts where resolution plan has been implemented under this window	(B) exposure to accounts mentioned at (A) before implementation of the plan	(C) Of (B), aggregate amount of debt that was converted into other securities	(D) Additional funding sanctioned, if any, including between invocation of the plan and implementation	(E) Increase in provisions on account of the implementation of the resolution plan
Personal Loans	3,967	949.59	-	-	949.59
Corporate persons	-	-	-	-	-
Of which, MSMEs	-	-	-	-	-
Others	88	44.12	-	-	44.12
Total	4,055	993.71	-	-	993.71

12. Ex-gratia and Interest on Interest during the Moratorium Period i.e., March 01, 2020 to August 31, 2020

In accordance with the scheme announced by the Government of India on October 23, 2020 for grant of ex-gratia payment of difference between compound interest and simple interest for six months to borrowers in specified loan accounts (March 01, 2020 to August 31, 2020), the Bank had submitted the requisite claim amounting to ₹ 30.15 Crore and credited the accounts of the eligible borrowers. Further, in accordance with the decision of the Honourable Supreme Court on March 23, 2021 in the matter of Small-Scale Industrial Manufacturers Association vs. UOI & Ors instructions, the aforesaid RBI circular dated April 07, 2021 and the methodology for calculation of the amount as notified by the Indian Banks Association (IBA), the Bank has created a provision of ₹ 21.00 Crore towards estimated refund/adjustment of compound interest/interest on interest/penal interest charged to the borrowers not covered under the above ex-gratia scheme during the moratorium period i.e. March 1, 2020 to August 31, 2020 and reduced the same from interest income for the year ended March 31, 2021.

SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD...)

1.4.7A) Details of financial assets sold to Securitisation / Reconstruction companies for Asset Reconstruction

(₹ in Crore)

Particulars	March 31, 2021		March 31, 2020	
	Standard	NPA	Standard	NPA
a) No of accounts	-	1	-	-
b) Aggregate value (net of provision) of accounts sold to SC/RC	-	-	-	-
c) Aggregate consideration	-	56.00	-	-
d) Additional consideration realised in respect of accounts transferred in earlier years	-	-	-	-
e) Aggregate gain/(loss) over net book value	-	56.00	-	-

B) Details of Investments held as Security Receipts received by sale of NPA to Securitisation/Reconstruction Companies as at March 31, 2021 and March 31, 2020 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, 2021	As at March 31, 2020	As at March 31, 2021	As at March 31, 2020	As at March 31, 2021	As at March 31, 2020
	Book value of investments in security receipts	489.91	528.44	-	-	489.91

Note: In addition to above, bank holds security receipts of ₹ 3.43 Crore (Previous year: ₹ 18.05 Crore) which are backed by standard assets sold by the bank.

C) Details of ageing of Investments held as Security Receipts as at March 31, 2021 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	88.65	368.05	33.21
Provision held against (i)	25.45	274.61	33.21
(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	88.65	368.05	33.21
Total provision held against above	25.45	274.61	33.21
Net Book value	63.20	93.44	-

Note: In addition to above, bank holds security receipts of ₹ 3.43 Crore (Previous Year ₹ 18.05 Crore) which are backed by standard assets sold by the bank, which is issued more than 5 years ago but within past 8 years. Total Provision of ₹ Nil (Previous Year ₹ 0.05 Crore) is held against security receipts backed by standard assets sold by the bank.





SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD...)

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.

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, 2021	March 31, 2020
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, 2021	March 31, 2020
1. No of accounts sold	1.00	
2. Aggregate outstanding	33.32	NIL
3. Aggregate consideration received	12.00	

1.4.9 Movement of Provision on Standard Assets

(₹ in Crore)

Particulars	March 31, 2021	March 31, 2020
(a) Opening balance	626.11	527.03
(b) Additions during the year	589.62	99.08
(c) Deduction during the year	479.00	-
(d) Closing balance *	736.73	626.11

* Includes Provision held towards Unhedged Foreign Currency Exposure of Customers amounting ₹ 15.90 Crore (Previous Year: ₹ 5.96 Crore)

1.5 The Key business ratios and other information:

Particulars	March 31, 2021	March 31, 2020
(i) Interest Income as a percentage to Working Funds* (%)	7.35	8.02
(ii) Non-interest income as a percentage to Working Funds* (%)	1.04	1.17
(iii) Operating Profit as a percentage to Working Funds* (%)	2.02	1.95
(iv) Return on Assets [Based on Average Working Fund] *(%)	0.85	0.94
(v) Business (Deposits less inter-bank deposits plus advances) per employee (₹ in Crore)**	24.03	21.94
(vi) Profit per employee (₹ in Crore)**	0.13	0.12

* 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.

SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD...)
1.6. Asset Liability Management

Maturity pattern of certain items of assets and liabilities at March 31, 2021 and March 31, 2020 is set out below:

Year ended March 31, 2021

(₹ in Crore)

Maturity Pattern	Deposits	Advances	Investments	Borrowings	Foreign Currency Assets	Foreign Currency Liabilities
Day 1	913.31	2,208.48	8,149.56	12.97	1,533.62	104.96
2 -7 days	2,421.64	1,302.80	294.41	4,708.38	2,037.63	30.46
8-14 days	2,137.22	785.40	386.10	202.23	575.08	34.94
15-30 days	5,062.22	2,102.11	665.66	183.17	1,416.69	245.34
31 days to 2 months	8,162.03	4,226.60	1,641.57	297.80	1,441.77	390.02
More than 2 months and up to 3 months	7,214.82	4,677.97	1,080.54	312.91	1,269.97	442.31
Over 3 months and upto 6 months	15,852.89	10,568.17	1,728.72	504.71	1,008.31	740.99
Over 6 months and upto 1 Year	27,427.44	16,325.95	1,369.85	777.94	527.89	1,502.26
Over 1 Year and upto 3Years	70,314.57	55,145.58	4,368.16	1,664.82	522.21	2,521.39
Over 3 Years and upto 5 Years	2,427.15	16,827.56	4,986.53	103.57	365.34	493.71
Over 5 Years	30,711.19	17,707.98	12,515.11	300.00	224.87	0.03
Total	172,644.48	131,878.60	37,186.21	9,068.50	10,923.38	6,506.41

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 3Years	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.

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





SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD...)

1.7. Exposures

1.7.1 Exposure to Real Estate Sector

		(₹ in Crore)	
Category		March 31, 2021	March 31, 2020
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)		22,811.29 (3,757.48)	21,018.56 (3,901.09)
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;		5,782.18	6,443.00
(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).		7,105.55	7,404.90
Total Exposure to Real Estate sector		35,699.02	34,866.46

1.7.2 Exposure to Capital Market

		(₹ in Crore)	
Category		March 31, 2021	March 31, 2020
(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;		404.44	404.26
(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;		50.27	0.09
(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;		236.10	477.66
(v) Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;		141.65	14.29

SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD...)

Category	March 31, 2021	March 31, 2020
(vi) Loans sanctioned to corporates against the security of shares / bonds/ debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;	-	-
(vii) Bridge loans to companies against expected equity flows/issues;	-	-
(viii) Underwriting commitments taken up by the banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds;	-	-
(ix) Financing to stockbrokers for margin trading;	-	-
(x) All exposures to Venture Capital Funds (both registered and unregistered)	175.91	96.34
Total Exposure to Capital Market	1,008.37	992.64

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, 2021	March 31, 2021	March 31, 2020	March 31, 2020
Insignificant	1,668.82	-	1,104.76	-
Low	617.08	-	158.68	-
Moderate	59.82	-	18.65	-
High	0.89	-	21.76	-
Very High	-	-	0.65	-
Restricted	-	-	-	-
Off-credit	-	-	-	-
Total	2,346.61	-	1,304.50	-

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

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

1.7.4. During the year ended March 31, 2021 and March 31, 2020, 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, 2021 and March 31, 2020 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	Year ended March 31, 2021	Year ended March 31, 2020
a) Penalty imposed on currency chests	2.08	0.50
Dates of Payment	Various dates	Various dates
b) Penalty imposed on deficiency in regulatory compliances	Nil	50.00#
Date of Payment	Not Applicable	August 14, 2019

Penalty was imposed by RBI vide letter EFD. CO. SO. 124 / 02.02.003 / 2019-20 dated August 05, 2019.





SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD...)

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

2.1. Employee Benefits (AS 15)

a) Defined Contribution Plan

Provident Fund

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

The Bank recognized ₹ 0.88 Crore (Previous Year: ₹ 0.47 Crore) for provident fund contribution in the Profit and Loss Account.

New Pension Scheme

As per the industry level settlement dated April 27, 2010, a Defined Contributory Pension Scheme (DCPS) in line with the New Pension Scheme (introduced for employees of Central Government) was implemented and employees who are covered under New Pension Scheme are not eligible for the existing pension scheme. 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 covered under New Pension Scheme.

The Bank recognized ₹ 45.79 Crore (Previous year: ₹ 36.39 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. Liabilities with regard to the pension plan are determined by actuarial valuation as on the Balance Sheet date, based upon which, the Bank contributes all the ascertained liabilities to the Federal Bank (Employees') Pension Fund Trust (the "Trust"). Trustees administer contributions made to the Trust and contributions are invested in specific investments as permitted by law.

The following table as furnished by Actuary sets out the funded status of gratuity / pension plan and the amount recognized in the Bank's financial statements as at March 31, 2021.

SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD...)
i) Change in benefit obligations: (₹ in Crore)

Particulars	Gratuity Plan		Pension Plan	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
Projected benefit obligation, beginning of the year	374.63	329.19	1,197.98	983.39
Current Service Cost	37.79	20.39	224.60	168.92
Interest cost	24.22	21.19	70.22	59.17
Actuarial (gain)/ loss	83.38	43.54	330.11	223.26
Benefits paid	(52.21)	(39.68)	(336.63)	(236.76)
Projected benefit obligation, end of the year	467.81	374.63	1,486.28	1,197.98

ii) Change in plan assets: (₹ in Crore)

Particulars	Gratuity Plan		Pension Plan	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
Plan assets at beginning of the year at fair value	369.30	334.23	1,129.93	978.09
Expected return on plan assets	22.20	24.53	80.68	73.26
Actuarial gain/(loss)	2.29	0.38	9.83	2.85
Employer's Contributions	127.91	49.84	610.90	312.49
Benefits paid	(52.21)	(39.68)	(336.63)	(236.76)
Plan assets at end of the year, at fair value	469.49	369.30	1,494.71	1,129.93

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, 2021	March 31, 2020	March 31, 2021	March 31, 2020
Fair value of plan assets at the end of the year	469.49	369.30	1,494.71	1,129.93
Present value of the defined benefit obligations at the end of the year	467.81	374.63	1,486.28	1,197.98
Liability/ (Asset) recognized in the Balance Sheet	(1.68)	5.33	(8.43)	68.05

iv) Gratuity / pension cost for the year ended March 31, 2021 (₹ in Crore)

Particulars	Gratuity Plan		Pension Plan	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
Current Service cost	37.79	20.39	224.60	168.92
Interest cost	24.22	21.19	70.22	59.17
Expected return on plan assets	(22.20)	(24.53)	(80.68)	(73.26)
Actuarial (gain)/loss	81.09	43.15	320.28	220.41
Net Cost	120.90	60.20	534.42	375.24
Net cost Debit to Profit and Loss account	120.90	60.20	534.42	375.24
Actual return on plan assets*	24.49	24.91	90.52	76.11

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





SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD...)

v) Investment details of plan Assets*

(₹ in Crore)

Particulars	Gratuity Plan		Pension Plan	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
Central and state Government bonds	-	-	-	-
Other debt securities	-	-	5.00	7.99
Balance in Saving bank account with the Bank	0.01	2.42	0.01	4.14
Net current assets	-	0.01	0.32	0.53
Balance with LIC/ABSL#	469.48	366.87	1,489.38	1,117.27
Total	469.49	369.30	1,494.71	1,129.93

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

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

vi) Experience adjustments

i) Gratuity Plan

(₹ in Crore)

	March 31, 2021	March 31, 2020	March 31, 2019	March 31, 2018	March 31, 2017	March 31, 2016
Defined Benefit Obligations	467.81	374.63	329.19	311.55	260.48	246.09
Plan Assets	469.49	369.30	334.23	265.75	261.54	225.66
Surplus/[Deficit]	1.68	(5.33)	5.04	(45.80)	1.06	(20.43)
Experience adjustments on Plan Liabilities [Gain / (Loss)]	(89.21)	(10.09)	(6.56)	(7.08)	2.18	(46.00)
Experience Adjustments on Plan Assets [Gain / (Loss)]	7.20	3.29	0.77	1.97	(0.42)	(1.97)

ii) Pension Plan

(₹ in Crore)

	March 31, 2021	March 31, 2020	March 31, 2019	March 31, 2018	March 31, 2017	March 31, 2016
Defined Benefit Obligations	1,486.28	1,197.98	983.39	899.64	737.38	637.50
Plan Assets	1,494.71	1,129.93	978.09	893.06	746.33	578.27
Surplus/ [Deficit]	8.43	(68.05)	(5.30)	(6.58)	8.95	(59.23)
Experience adjustments on Plan Liabilities [Gain / (Loss)]	(327.78)	(95.10)	(39.39)	(33.27)	93.67	(142.49)
Experience Adjustments on Plan Assets [Gain / (Loss)]	13.79	7.54	(3.14)	9.60	6.66	0.18

SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD...)
vii) Assumptions

Particulars	Gratuity Plan		Pension Plan	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
Discount rate	6.95%	6.85%	6.82%	6.84%
Annuity rate per Rupee	-	-	150.83000	134.98313
Salary escalation rate	5.00%	5.00%	5.00%	5.00%
Estimated rate of return on plan assets	6.01%	7.34%	7.14%	7.49%
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 increase considered in actuarial valuation take account of inflation, seniority, promotion and other relevant factors.

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

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

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

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

The employees of the Bank are entitled to compensated 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 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 ₹ 55.69 Crore has been provided towards the above liabilities in accordance with AS 15 based on actuarial valuation. (Previous Year: ₹ 25.55 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:

	(₹ in Crore)	
	March 31, 2021	March 31, 2020
Privilege leave	219.59	168.29
Sick leave	22.12	18.25
Leave Travel Concession	21.26	20.43
Casual Leave	1.23	1.54
Total actuarial liability	264.20	208.51
Assumptions		
Discount rate	6.95%	6.85%
Salary escalation rate	5.00%	5.00%
Attrition Rate	2.00%	2.00%





SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD...)

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

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

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

2.2. Segment Reporting (AS 17)

A. Business Segments

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

Treasury

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

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

Corporate/Wholesale Banking:

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

Revenue of this segment consists of interest earned 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 utilized and other expenses allocated as per the methodology approved by the board of the bank. Provisions allocated to the segment includes the loan loss provision and standard asset provision created for the portfolio under the segment.

Retail Banking:

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

Revenue of this segment consists of interest earned on loans made to such customers and charges /fees carried from other banking services to them including para-banking operations. The principal expenses of the segment consist of interest expenses on funds utilized and other expenses allocated as per the methodology approved by the board of the bank. Provisions allocated to the segment includes the loan loss provision and standard asset provision created for the portfolio under the segment

Other Banking Operations

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

Unallocated

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

SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD...)

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

As on March 31, 2021: (₹ in Crore)

Business Segments	Treasury	Corporate/ Wholesale Banking	Retail Banking	Other Banking Operations	Total
Revenue	2,739.96	4,561.52	8,398.90	-	15,700.38
Result (net of provisions)	722.23	222.75	1,189.85	-	2,134.83
Unallocated Income / (expense)					2.44
Operating profit (PBT)					2,137.27
Income taxes					(546.97)
Extraordinary profit/loss					-
Net Profit					1,590.30
OTHER INFORMATION					
Segment Assets	45,251.11	71,465.90	78,136.57	-	194,853.58
Unallocated assets					6,513.81
Total assets					201,367.39
Segment liabilities	14,137.71	16,025.33	153,066.93	-	183,229.97
Unallocated liabilities					2,013.81
Total liabilities					185,243.78

As on March 31, 2020: (₹ in Crore)

Business Segments	Treasury	Corporate/ Wholesale Banking	Retail Banking	Other Banking Operations	Total
Revenue	2,268.46	4,893.65	7,980.05	-	15,142.16
Result (net of provisions)	415.18	170.58	1,451.13	-	2,036.89
Unallocated Income / (expense)					(4.36)
Operating profit (PBT)					2,032.53
Income taxes					(489.75)
Extraordinary profit/loss					-
Net Profit					1,542.78
OTHER INFORMATION					
Segment Assets	37,873.23	70,562.43	64,808.87	-	173,244.53
Unallocated assets					7,393.52
Total assets					180,638.05
Segment liabilities	16,272.69	12,585.40	134,581.49	-	163,439.58
Unallocated liabilities					2,680.86
Total liabilities					166,120.44

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.





SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD...)

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.

Note: Pursuant to Board approved policy on preparation of segment information, the Bank, with effect from quarter ended June 30, 2020, has revised the basis of preparation of segment information on a direct identification basis with the aid of Internal Transfer pricing mechanism for more appropriate presentation of the segment results. Accordingly, figures for the previous year have been regrouped / reclassified to conform to current period's classification. The change in segment information has no impact on the overall Revenue, Results, and Capital employed of the bank for the year ended March 31, 2021 or the previous year.

2.3. Related Party Disclosures (AS 18)

a) Details of Related Parties:

Subsidiaries, associates/joint ventures/other related entities

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

Key Management Personnel

Name of the Key Management Personnel	Relatives of the Key Management Personnel
Mr. Shyam Srinivasan, Managing Director & CEO	<ul style="list-style-type: none"> ▪ Mr. T S Srinivasan ▪ Ms. Kamala Srinivasan ▪ Ms. Maya Shyam ▪ Ms. Meena Lochani ▪ Ms. Rohini
Mr. Ashutosh Khajuria, Executive Director & CFO	<ul style="list-style-type: none"> ▪ Ms. Sunita Khajuria ▪ Ms. Vasundhara Khajuria ▪ Ms. Yashodhara Khajuria
Ms. Shalini Warriar, Executive Director & COO	<ul style="list-style-type: none"> ▪ Ms. Parvathi Warriar ▪ Ms. Asha Warriar

b) Transactions with related parties

For the year ended March 31, 2021:

Items/Related Party	Subsidiaries	Associates	Key Management Personnel	Relatives of KMP	(₹ in Crore)
					Total
Deposits [#]	391.83 (394.44)	17.17 (40.27)	3.60 (3.99)	1.41 (1.41)	414.01 (440.11)
Advances [#]	781.08 (1,053.05)	5.39 (28.78)	0.25 (0.28)	-	786.72 (1,082.11)
Investments in Shares [#]	317.81 (317.81)	229.60 (229.60)	-	-	547.41 (547.41)
Other Investments (NCD,PTC held through trust etc)	257.89 (270.39)	-	-	-	257.89 (270.39)

SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD...)

(₹ in Crore)

Items/Related Party	Subsidiaries	Associates	Key Management Personnel	Relatives of KMP	Total
Interest paid	0.01	0.55	0.14	0.07	0.77
Interest received	91.19	0.23	0.01	-	91.43
Income from Services Rendered to	11.02	46.95	-	-	57.97
Expenses for Receiving services from	50.14	-	-	-	50.14
Leasing arrangements provided	0.02	-	-	-	0.02
Leasing arrangements availed	1.08	-	-	-	1.08
Receivable from	-	8.30	-	-	8.30
Payable to	5.27	-	-	-	5.27
Remuneration paid	-	-	4.56	-	4.56
Dividend Received	-	-	-	-	-
Dividend Paid	-	-	-	-	-
Share capital received on exercise of ESOS	-	-	1.22	-	1.22
No. of Options granted under ESOS (in numbers)	-	-	-	-	-
No. of Options outstanding under ESOS (in numbers)	-	-	3,310,680	-	3,310,680

- Represents outstanding as on March 31, 2021

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, 2020:

(₹ in Crore)

Items/Related Party	Subsidiaries	Associates	Key Management Personnel	Relatives of KMP	Total
Deposits#	38.50	20.80	3.08	1.03	63.41
	(42.69)	(26.06)	(3.08)	(1.05)	(72.88)
Advances#	1,062.20	-	0.28	-	1,062.48
	(1071.57)	-	(0.53)	-	(1072.10)
Investments#	259.20	228.21	-	-	487.41
	(259.20)	(228.21)	-	-	(487.41)
Interest paid	-	0.49	0.05	0.04	0.58
Interest received	79.79	-	0.02	-	79.81
Income from Services Rendered to	5.86	43.93	-	-	49.79
Expenses for Receiving services from	42.80	-	-	-	42.80
Leasing arrangements provided	*	-	-	-	*





SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD...)

(₹ in Crore)

Items/Related Party	Subsidiaries	Associates	Key Management Personnel	Relatives of KMP	Total
Leasing arrangements availed	1.29	-	-	-	1.29
Receivable from	-	9.13	-	-	9.13
Payable to	4.50	-	-	-	4.50
Remuneration paid	-	-	4.53	-	4.53
Dividend Received	-	30.57	-	-	30.57
Dividend Paid	-	-	1.18	-	1.18
Share capital received on exercise of ESOS	-	-	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.

The significant transactions between the Bank and the related parties during the year ended March 31, 2021 and March 31, 2020 are given below. A specified related party transaction is disclosed as a significant related party transaction wherever it exceeds 10% of the aggregate value of all related party transactions in that category:

(₹ in Crore)

Nature of Transaction	Name of the Related party	March 31, 2021	March 31, 2020
Deposits	Fedbank Financial Services Limited	386.65	34.88
Advances	Fedbank Financial Services Limited	781.08	1,062.20
Investments in Shares	Fedbank Financial Services Limited	307.81	249.20
	Ageas Federal Life Insurance Company Limited	208.00	208.00
Other Investments (NCD, PTC held through trust etc)	Fedbank Financial Services Limited	239.50	-
Interest paid	Ageas Federal Life Insurance Company Limited	0.55	0.48
	Mr. Shyam Srinivasan	0.09	0.01
Interest received	Fedbank Financial Services Limited	91.19	79.79
Income from Services Rendered to	Ageas Federal Life Insurance Company Limited	46.94	43.93
Expenses for Receiving services from	Fedbank Financial Services Limited	23.76	23.85
	Federal Operations and Services Limited	26.38	18.95

SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD...)

(₹ in Crore)

Nature of Transaction	Name of the Related party	March 31, 2021	March 31, 2020
Leasing arrangements availed	Fedbank Financial Services Limited	1.08	1.29
Leasing arrangements provided	Fedbank Financial Services Limited	0.01	-
	Federal Operations and Services Limited	0.01	-
Receivable from	Ageas Federal Life Insurance Company Limited	8.30	9.13
Payable to	Fedbank Financial Services Limited	2.66	1.40
	Federal Operations and Services Limited	2.61	3.10
Remuneration paid	Mr. Shyam Srinivasan	2.31	2.27
	Mr. Ashutosh Khajuria	1.17	1.20
	Ms. Shalini Warriar	1.09	1.06
Share capital received on exercise of ESOS	Mr. Ashutosh Khajuria	1.22	0.47
No.of Options outstanding under ESOS (in numbers)	Mr. Ashutosh Khajuria	847,500	1,400,000
No.of Options outstanding under ESOS (in numbers)	Ms. Shalini Warriar	2,142,500	2,400,000

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, 2021	March 31, 2020
Deferred Tax Liability		
Tax effect of items constituting deferred tax liability:		
(i) Interest accrued but not due	153.75	148.83
(ii) Depreciation on Investments	13.38	11.35
(iii) Special Reserve under Section 36(1)(viii) of the Income Tax Act, 1961	168.12	137.64
(iv) Others	10.90	7.44
Total - (A)	346.15	305.26
Deferred Tax Asset		
Tax effect of items constituting deferred tax assets:		
(i) Interest/premium paid on purchase of securities	1.44	2.74
(ii) Provision for Standard Assets	185.42	157.58
(iii) Depreciation on Fixed assets	9.06	9.78
(iv) Others	133.43	124.01
Total - (B)	329.35	294.11
Net Deferred tax liability/ (Asset) (A-B)	16.80	11.15

2.5 During the year ended March 31, 2020, the Bank has 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, 2021 based on the rate prescribed in the aforesaid section.





SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (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, 2021	Year ended March 31, 2020
i) Provision towards NPAs	1,515.73	1,010.47
ii) Provision for Depreciation in Value of Investments (Net)	11.21	63.19
iii) Provision for Non - Performing Investments	3.90	5.37
iv) Provision for Standard Assets	110.62	99.08
v) Provision for Taxation*	546.97	489.75
vi) Provision towards present value of sacrifice on restructuring, other contingencies etc.	8.17	(5.95)
Total	2,196.60	1,661.91

#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, 2021	March 31, 2020	March 31, 2021	March 31, 2020
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 any amount from any reserves during the year ended March 31, 2021 and March 31, 2020.

3.4. A) Disclosure of customer complaints

Sr. No.	Particulars	Year ended March 31, 2021	Year ended March 31, 2020
1	Number of complaints pending at beginning of the year	1,692	1,354
2	Number of complaints received during the year	147,914	200,249
3	Number of complaints disposed during the year	146,108	199,911
	Of which, number of complaints rejected by the bank	46,394	48,386
4	Number of complaints pending at the end of the year	3,498	1,692
Maintainable complaints received by the bank from Banking Ombudsman (BO)			
5	Number of maintainable complaints received by the bank from BOs	757	535
	Of which, number of complaints resolved in favour of the Bank by BOs	243	150
	Of which, number of complaints resolved through conciliation/ mediation/ advisories issued by BOs	511	385
	Of which, number of complaints resolved after Passing of Awards by BOs against the bank	-	-
6	Number of Awards unimplemented within the stipulated time(other than those appealed)	-	-

Note: Maintainable complaints refer to complaints on the grounds specifically mentioned in BO Scheme 2006 and covered within the ambit of the Scheme

SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD...)
B) Top Five grounds of complaints received by the Bank from customers

Grounds of complaints, (i.e. complaints relating to)	Number of complaints pending at the beginning of the year		Number of complaints received during the year		% increase/ decrease in the number of complaints received over the previous year		Number of complaints pending at the end of the year		Of 5, number of complaints pending beyond 30 days	
	1	2	3	4	5	6	7	8	9	10
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
ATM/Debit Cards	1,038	1,297	117,915	142,813	(17.43)	100.28	2,481	1,038	119	-
Internet/Mobile/ Electronic Banking	87	5	19,543	11,183	74.76	797.51	860	87	-	-
Account opening/ difficulty in operation of accounts	35	24	2,578	3,123	(17.45)	172.75	37	35	-	-
Loans and advances	22	17	1,315	777	69.24	46.88	44	22	-	-
Levy of charges without prior notice / excessive charges / foreclosure charges	14	6	448	550	(18.55)	77.42	23	14	-	-
Others	496	5	6,115	41,803	(85.23)	6,072.00	53	496	-	-
Total	1,692	1,354	147,914	200,249	-	-	3,498	1,692	119	-

Note: RBI vide their Circular CEPD.CO.PR.D.Cir.No.01/13.01.013/2020-21 dated January 27, 2021 on Strengthening of Grievance Redress Mechanism in Banks had categorized grievances under 16 categories and had advised Banks to make disclosures accordingly. There is a significant reduction (26%) in the number of complaints received in FY 2020-21 compared to FY 2019-20, primarily due to proactive measures initiated to reduce customer complaints at different levels.

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, 2021 and March 31, 2020.

3.6. Provision coverage ratio

The Provision coverage ratio of the bank as on March 31, 2021, computed in terms of the RBI Guidelines was 77.65 % (Previous Year 72.48 %).

3.7. Bancassurance Business

Details of income earned from bancassurance business:

(₹ in Crore)

Sr. No.	Nature of Income *	March 31, 2021	March 31, 2020
1	For selling life insurance policies	46.95	43.94
2	For selling non-life insurance policies	19.65	22.72
3	For selling mutual fund products	6.02	2.09
4	Others#	9.54	6.56
	Total	82.16	75.31

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

- includes income on DP/Trading/PIS





SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD...)

3.8 Concentration of Deposits, Advances, Exposures and NPAs

3.8.1 Information on Concentration of deposits:

(₹ in Crore)

	March 31, 2021	March 31, 2020
Total deposits of twenty largest depositors	8,329.79	9,178.20
Percentage of deposits of twenty largest depositors to total deposits of the bank	4.82%	6.03%

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

3.8.2 Information on Concentration of advances:

(₹ in Crore)

	March 31, 2021	March 31, 2020
Total advances to twenty largest borrowers	18,058.80	15,580.42
Percentage of advances to twenty largest borrowers to total advances of the bank	10.22%	10.12%

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 July 1, 2015.

3.8.3 Information on Concentration of exposure:

(₹ in Crore)

	March 31, 2021	March 31, 2020
Total exposures to twenty largest borrowers/customers	19,050.48	16,519.67
Percentage of exposures to twenty largest borrowers/customers to total exposure of the bank on borrowers/customers	10.41%	10.33%

Note: Exposure is computed as per the definition of Credit and Investment Exposure in RBI Master Circular on Exposure Norms DBOD. No. Dir. BC.12/13.03.00/ 2015-16 dated July 1, 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, 2021	March 31, 2020
Total exposures to top four NPA accounts	603.79	512.83

3.9 Sector wise advances and NPA

The details of Sector-wise Gross Advances and Gross NPAs as at March 31, 2021 and March 31, 2020 is given below:

(₹ in Crore)

Sr. No.	Sector*	March 31, 2021			March 31, 2020		
		Gross Advances	Gross NPA	Gross NPA (%)	Gross Advances	Gross NPA	Gross NPA (%)
A Priority Sector							
1.	Agriculture and allied activities	16,928.73	916.43	5.41	14,127.29	837.31	5.93
2.	Advances to industries sector eligible as priority sector lending	9,163.79	212.30	2.32	5,214.37	389.12	7.46
	Of which:						
	Infrastructure	2,457.62	40.16	1.63	1,151.36	63.41	5.51
	Textiles	1,453.98	8.27	0.57	707.74	57.55	8.13

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(₹ in Crore)

Sr. No.	Sector*	March 31, 2021			March 31, 2020		
		Gross Advances	Gross NPA	Gross NPA (%)	Gross Advances	Gross NPA	Gross NPA (%)
3.	Services	5,857.32	62.65	1.07	6,676.44	495.04	7.41
	Of which:						
	Trade	800.61	17.39	2.17	4,280.09	407.45	9.52
	Commercial Real Estate	541.83	0.36	0.07	311.27	4.48	1.44
	NBFCs	710.62	-	-	47.47	-	-
	Other Services	2,267.81	20.03	0.88	1,403.33	39.94	2.85
4.	Personal loans	-	-	-	-	-	-
5.	Others	4,567.85	317.78	6.96	4,594.73	254.03	5.53
	Sub-total (A)	36,517.69	1,509.16	4.13	30,612.83	1,975.50	6.45
	B Non-Priority Sector						
1.	Agriculture and allied activities	-	-	-	-	-	-
2.	Industry	20,296.43	942.08	4.64	24,246.25	420.56	1.73
	Of which:						
	Infrastructure	8,979.34	450.88	5.02	8,637.92	161.77	1.87
3.	Services	36,721.44	1,222.75	3.33	34,676.59	479.69	1.38
	Of which:						
	Trade	8,036.38	605.84	7.54	4,570.67	94.71	2.07
	Commercial Real Estate	4,334.83	27.28	0.63	5,012.21	27.62	0.55
	Non-Banking Finance Companies	15,502.19	185.44	1.20	17,069.83	281.23	1.65
	Other services	7,779.60	345.34	4.44	6,627.42	60.69	0.92
4.	Personal loans	2,063.59	101.81	4.93	1,491.14	33.18	2.23
5.	Others	39,277.56	826.59	2.10	33,126.37	621.90	1.88
	Sub-total (B)	98,359.02	3,093.23	3.14	93,540.35	1,555.33	1.66
	Total (A+B)	134,876.71	4,602.39	3.41	124,153.18	3,530.83	2.84

*Classification into sectors/subsectors as above has been done based on Bank's internal norms, which has been relied upon by the auditors.

3.10 A) Movement in gross non-performing assets

(₹ in Crore)

Particulars	March 31, 2021	March 31, 2020
Gross NPAs as at the beginning of the year	3,530.83	3,260.68
Additions (Fresh NPAs) during the year [#]	1,921.90	1,918.80
Sub-total (A)	5,452.73	5,179.48
Less: Reduction [#]		
(i) Upgradations	86.23	403.69
(ii) Recoveries (excluding recoveries made from upgraded accounts)	366.60	510.77
(iii) Technical/ Prudential Write – offs	357.87	663.07
(iv) Write –offs other than those under (iii) above	39.64	71.12
(v) Reduction by Sale of Assets to ARCs	-	-
Sub-total (B)	850.34	1,648.65
Gross NPAs as at the end of the year* (A-B)	4,602.39	3,530.83

[#]Aggregate of quarterly movement during the year

* After considering technical/ Prudential Write – Offs

Closing Gross NPAs before technical/ Prudential Write – Offs is ₹ 7,022.38 Crore (Previous Year ₹ 5,839.51 Crore)





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B) Movement in technical/prudential written off accounts is set out below: (₹ in Crore)

Particulars	March 31, 2021	March 31, 2020
Opening balance	2,308.68	1,691.18
Add: Technical write-offs during the year	357.87	663.07
Sub-total (A)	2,666.55	2,354.25
Less: Reduction due to recovery made from previously technical/prudential written-off accounts during the year	12.57	44.58
Less: Sacrifice made from previously technical/prudential written-off accounts during the year	2.08	0.99
Less: Reduction due to sale of NPAs to ARCs from previously technical/prudential written off accounts during the year	231.91	-
Sub-total (B)	246.56	45.57
Closing balance at the end of the year (A-B)	2,419.99	2,308.68

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, 2021 and March 31, 2020. Details of Assets, NPAs and Revenue of IBU are given below:

Particulars	March 31, 2021	March 31, 2020
Total Assets	2,346.86	2,794.44
Total NPAs	350.93	189.16
Total Revenue	50.19	99.96

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, 2021 and March 31, 2020.

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. The Committee comprise of three or more Non-Executive Directors, out of which not less than one-half would be Independent Directors and would include at least one member from Risk Management Committee of the Board.

As on March 31, 2021, the remuneration committee of the Board comprises of the following Independent Directors:

- Mr. C Balagopal
- Ms. Grace Elizabeth Koshie
- Mr. A P Hota

Out of the above Ms. Grace Elizabeth Koshie is also a member of Risk Management Committee of the Board.

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

- i. To oversees the framing, review and implementation of an effective Compensation Policy, as per RBI Guidelines.
- ii. To review the compensation package for the MD & CEO and Executive Directors and recommend revisions for Board approval.

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- iii. To consider and approve issuance and allotment of shares under ESOS to MD & CEO /EDs and employees of the Bank.
- iv. Work in coordination with Risk Management Committee of the Bank, in order to achieve effective alignment between risk and remuneration.

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

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

The objectives of the remuneration policy are four-fold:

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

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

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

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

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

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





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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 three categories:

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

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

Committees to mitigate risks caused by an individual decision

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

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

Hedging

No compensation scheme or insurance facility would be provided by the Bank to employees to hedge their compensation structure to offset the risk alignment mechanism (deferral pay and 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.

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

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

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

The compensation package applicable to Executives in Level IV to VII 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.

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.

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

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

Deferral of Variable Pay : For MD & CEO, Whole Time Directors and Material Risk Takers (MRTs) deferral arrangements would invariably exist for the variable pay, regardless of the quantum of pay. For such executives of the bank, a minimum of 60% of the total variable pay must invariably be under deferral arrangements. Further, if cash component is part of variable pay, at least 50% of the cash bonus would also be deferred. However, in cases where the cash component of variable pay is under Rs.25 lakh, deferral requirements would not be necessary.

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

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

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

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

Proportion of deferred Variable Pay	Timelines
50%	Year N - Upfront *
16.50%	Year N + 1
16.50%	Year N + 2
17.00%	Year N+3

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

Risk Control and Compliance Staff

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

Other categories of Staff

The variable pay would be in the form of cash, share-linked instruments, or a mix of both cash and share-linked instruments. The total variable pay will be limited to a maximum of 300% of the fixed pay (for the relative performance measurement period). Deferral arrangements would invariably exist for the variable pay, if the Variable Pay exceeds 200% of the fixed pay. In such cases a minimum of 60% of the total variable pay must invariably be under deferral arrangements. Further, if cash component is part of variable pay, at least 50% of the cash bonus would also be deferred. However, in cases where the cash component of variable pay is under Rs.25 lakh, deferral requirements would not be necessary.

Malus / Claw back arrangement

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





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

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

f) Description of the different forms of variable remuneration

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

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

ii) Quantitative disclosures

Particulars	March 31, 2021	March 31, 2020
(a) Number of meetings held by the Remuneration Committee during the financial year and remuneration paid to its members.	7 ₹ 6,30,000/-	10 ₹ 810,000/-
(b) (i) Number of employees having a variable remuneration award during the financial year.	10	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	Fixed - ₹ 8.35 Crore Variable - ₹ 0.61 Crore	Fixed - ₹ 3.75 Crore Variable - ₹ 0.78 Crore
(e) (i) Total amount of outstanding deferred remuneration and retained remuneration exposed to ex-post explicit and / or implicit adjustments.	Nil	Nil
(ii) Total amount of reductions during the financial year due to ex- post explicit adjustments	Nil	Nil
(iii) Total amount of reductions during the financial year due to ex- post implicit adjustments.	Nil	Nil
(f) Number of MRTs identified.	10	-
(g) (i) Number of cases where malus has been exercised.	-	-
(ii) Number of cases where clawback has been exercised.	-	-
(iii) Number of cases where both malus and clawback have been exercised.	-	-

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iii) General Quantitative Disclosure

Particulars	March 31, 2021	March 31, 2020
(i) The mean pay for the bank as a whole (excluding sub-staff) (In ₹)	1,362,873	1,002,708
(ii) The deviation of the pay of each of its WTDs from the mean pay.		
▪ Mr. Shyam Srinivasan, Managing Director & CEO	15.96	21.60
▪ Mr. Ashutosh Khajuria, Executive Director & CFO	7.56	10.99
▪ Ms. Shalini Warriar, Executive Director & COO	6.97	9.60

3.14 Securitisation Transactions

The Bank has not done any securitisation transactions during the year ended March 31, 2021 and March 31, 2020.

3.15 Details of Intra-Group Exposure

		(₹ in Crore)	
Sr. No.	Particulars	March 31, 2021	March 31, 2020
1	Total amount of intra-group exposures*	947.34	1,108.96
2	Total amount of top-20 intra group exposures*	947.34	1,108.96
3	Percentage of intra group exposures to total exposure of the bank to borrowers/ customers *(%)	0.52%	0.69%
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 July 1, 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, 2021	March 31, 2020	
Opening balance of amounts transferred to DEA Fund	177.37	114.56	
Add: Amounts transferred to DEA Fund during the year	38.14	67.25	
Less: Amounts reimbursed by DEA Fund towards claims	3.48	4.44	
Closing balance of amounts transferred to DEA Fund	212.03	177.37	

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 ₹ 15.90 Crore (Previous year ₹ 5.96 Crore) as provision and ₹ 21.06 Crore (Previous year ₹ 4.20 Crore) as additional capital for computation of capital adequacy ratio on account of the unhedged foreign currency exposures of borrowers as at March 31, 2021.





SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD...)

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, 2021:

(₹ in Crore)

Particulars	Quarter ended March 31, 2021		Quarter ended December 31, 2020		Quarter ended September 30, 2020		Quarter ended June 30, 2020	
	Total Unweighted Value	Total Weighted Value	Total Unweighted Value	Total Weighted Value	Total Unweighted Value	Total Weighted Value	Total Unweighted Value	Total Weighted Value
	High Quality Liquid Assets							
1 Total High Quality Liquid Assets (HQLA)		35,501.98		38,810.45		38,748.71		34,844.87
Cash outflows								
2 Retail deposits and deposits from small business customers, of which:	143,128.38	12,057.86	139,489.09	11,728.08	138,293.02	11,619.64	133,691.38	11,248.71
(i) Stable deposits	45,099.62	2,254.98	44,416.54	2,220.83	44,193.21	2,209.66	42,408.48	2,120.42
(ii) Less stable deposits	98,028.76	9,802.88	95,072.55	9,507.25	94,099.81	9,409.98	91,282.90	9,128.29
3 Unsecured wholesale funding, of which:	11,850.00	5,737.42	9,961.81	4,489.23	10,498.22	4,960.50	10,942.55	5,114.57
(i) Operational deposits (all counterparties)	-	-	-	-	-	-	-	-
(ii) Non-operational deposits (all counterparties)	11,850.00	5,737.42	9,961.81	4,489.23	10,498.22	4,960.50	10,942.55	5,114.57
(iii) Unsecured debt	-	-	-	-	-	-	-	-
4 Secured wholesale funding								
5 Additional requirements, of which	1.03	1.03	18.64	18.64	18.07	18.07	15.95	15.95
(i) Outflows related to derivative exposures and other collateral requirements	1.03	1.03	18.64	18.64	18.07	18.07	15.95	15.95
(ii) Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
(iii) Credit and liquidity facilities	-	-	-	-	-	-	-	-
6 Other contractual funding obligations	31,079.41	2,925.85	33,599.11	3,195.70	35,098.79	3,274.20	32,628.99	3,075.63
7 Other contingent funding obligations	8,239.81	247.19	8,097.65	242.93	8,010.49	240.31	8,183.54	245.51
8 TOTAL CASH OUTFLOWS		20,969.35		19,674.58		20,112.72		19,700.37
Cash Inflows								
9 Secured lending (e.g. reverse repos)	6,347.35	-	12,119.68	-	12,242.76	-	6,630.99	-
10 Inflows from fully performing exposures	7,660.01	6,267.08	6,643.56	5,276.93	5,887.14	4,918.80	4,889.64	4,489.15
11 Other cash inflows	10.04	10.04	0.50	0.50	-	-	-	-
12 TOTAL CASH INFLOWS	14,017.40	6,277.12	18,763.74	5,277.43	18,129.90	4,918.80	11,520.63	4,489.15
13 TOTAL HQLA		35,501.98		38,810.45		38,748.71		34,844.87
14 TOTAL NET CASH OUTFLOWS		14,692.23		14,397.15		15,193.94		15,211.22
15 LIQUIDITY COVERAGE RATIO (%)		241.64%		269.57%		255.03%		229.07%

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

SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD...)

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 Unweighted Value	Total Weighted Value	Total Unweighted Value	Total Weighted Value	Total Unweighted Value	Total Weighted Value	Total Unweighted 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	103,729.82	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%

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





SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (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% or more of the Bank's total liabilities. The Bank has consistently maintained LCR above 80% during the first half and above 90% during the second half as against the regulatory minimum of 80% and 90% during the Fiscal 2021

On an average, 96% of the HQLA maintained by the Bank comprises of Level 1 assets which is the most liquid asset category. Cash in hand, excess CRR and SLR, G-Sec within mandatory SLR requirement permitted by RBI under MSF (presently 3% of NDTL as per the relaxations permitted by RBI in the context of Covid-19) and facility to avail liquidity ratio (presently 15% of NDTL) constitutes Level 1 HQLA. Level 2 Assets maintained by the Bank comprises of (a) marketable securities representing claims on or claims guaranteed by sovereigns, Public Sector Entities (PSEs) or multilateral development banks that are assigned a 20% risk weight under the Basel III Standardized Approach for credit risk and that are not issued by a bank/financial institution/NBFC or any of its affiliated entities and (b) Corporate bonds, not issued by a bank/financial institution/NBFC or any of its affiliated entities, which have been rated BBB- or above by an Eligible Credit Rating Agency. HQLA is also well diversified across various instruments and liquid asset types and should provide the Bank with adequate and timely liquidity.

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

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

4. OTHER DISCLOSURES

4.1. Earnings per Share ('EPS')

Particulars	March 31, 2021	March 31, 2020
Weighted average number of equity shares used in computation of basic earnings per share (in 000's)	1,994,535	1,989,049
Weighted average number of equity shares used in computation of diluted earnings per share (in 000's)	2,001,686	2,004,059
Nominal Value of share (in ₹)	2.00	2.00
Basic earnings per share (in ₹)	7.97	7.76
Diluted earnings per share (in ₹)	7.94	7.70
Earnings used in the computation of basic and diluted earnings per share (₹ in '000)	15,902,973	15,427,811

4.2 A. Equity Issue

During the year ended March 31, 2021, the Bank has allotted 3,488,176 equity shares consequent to exercise of ESOS which resulted in an increase of ₹ 0.70 Crore in Share Capital and ₹ 13.10 Crore in Share premium account.

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

SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD...)
B. Subscribed and paid up capital includes:

- (i) 16,590 shares of ₹ 2/- each (Previous Year 16,590 shares of ₹ 2/- each) issued for consideration other than cash.
- (ii) 29,232,891 underlying equity shares of ₹ 2/- each (Previous Year 31,802,641 equity shares of ₹ 2/- each) held by custodian on behalf of holders of Global Depository Receipts (GDRs).

C. The following allotments are kept pending following orders from various courts

- (i) Allotment of 6,530 shares of ₹ 2/- each (Previous year 6,530 shares of ₹ 2/- each) pertaining to the Right issue of 1993 issued at premium of ₹ 5/- per share
- (ii) 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
- (iii) 1,074,165 equity shares of ₹ 2/- each (Previous year 1,074,165 shares of ₹ 2/- per share), at a premium of ₹ 48/- per share pertaining to Rights issue of 2007

Issue of certificates/credit in demat account in respect of the following Bonus issues are kept in abeyance consequent to injunction orders from various courts.

- a) 406,670 shares of ₹ 2/- each (Previous year 406,670 shares of ₹ 2/- each) out of the Bonus issue of 2004 and
- b) 612,005 bonus shares of ₹ 2/- each (Previous year 612,005 bonus shares of ₹ 2/- each), out of the Bonus issue of 2015.

D. Employee Stock Option Scheme (“ESOS”):
(i) Employee Stock Option Scheme 2010 (ESOS 2010)

Shareholders of the bank had approved Employee Stock Option Scheme (ESOS) through postal ballot, the result of which was announced on December 24, 2010, enabling the Board and/or the “Compensation Committee” to grant such number of equity shares, including options, of the Bank not exceeding 5% of the aggregate number of paid up equity shares of the Bank, in line with the guidelines of SEBI. Pursuant thereto, the Compensation Committee of the bank granted the following options:

	Number of Options	
	March 31, 2021	March 31, 2020
Outstanding at the beginning of the year	16,057,341	24,147,513
Surrendered during the year	-	-
Granted during the year	-	-
Exercised during the year	3,422,806	7,123,602
Forfeited/lapsed during the year	3,438,342	966,570
Outstanding at the end of the year	9,196,193	16,057,341
Options exercisable	9,171,193	15,897,341

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





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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, 2021	March 31, 2020
Outstanding at the beginning of the year	77,227,910	50,336,281
Additions from the previous year	2,250	-
Surrendered during the year	-	-
Granted during the year	16,884,159	30,522,736
Exercised during the year	65,370	489,267
Forfeited/lapsed during the year	19,121,983	3,141,840
Outstanding at the end of the year	74,926,966	77,227,910
Options exercisable	28,949,455	28,840,450

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 ₹ 30.56 Crore (Previous Year: ₹ 56.49 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 ₹ 7.82 and ₹ 7.80 (Previous Year: ₹ 7.47 and ₹ 7.42) respectively.

E. Proposed Dividend and Tax on Proposed Dividend

The Reserve Bank of India, vide its circular DOR.ACC.REC.7/21.02.067/2021-22 dated April 22, 2021 reviewed the dividend declaration norms for the year ended March 31, 2021 and permitted Banks to declare dividend subject to 50% of the regulatorily permissible dividend payout ratio. The Board of Directors have recommended a dividend of 35% i.e. ₹ 0.70/- per Equity Share on face value of ₹ 2/- each for the year 2020-21 subject to the approval of the members at the ensuing Annual General Meeting. In terms of Accounting Standard (AS) 4 "Contingencies and Events occurring after the Balance sheet date" the Bank has not appropriated proposed dividend aggregating to ₹ 139.73 Crore from the Profit and loss account for the year ended March 31, 2021. However, the effect of the proposed dividend has been reckoned in determining capital funds in the computation of Capital adequacy ratio as on March 31, 2021.

As per the Income-tax Act, 1961, as amended by the Finance Act, 2020, dividends paid or distributed by a company on or after 1st April 2020 shall be taxable in the hands of the shareholders. The Company shall, therefore, be required to deduct tax at source at the time of making the payment of the dividend, if approved, at the Annual General Meeting (AGM) of the Company, at the applicable rate. Accordingly, there is no amount is required to be appropriated towards tax on dividend.

In respect of the year ended March 31, 2020 the board of directors had not recommended any dividend in view of the direction from the RBI vide its circular dated April 17, 2020 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.

SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD...)
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, 2021	March 31, 2020
Gross Block		
At the beginning of the year	250.67	248.75
Additions during the year	54.47	26.57
Deductions / Adjustments during the year	-	24.65
At the end of the year	305.14	250.67
Depreciation / Amortisation		
At the beginning of the year	201.62	190.50
Charge for the year	25.56	35.77
Deductions / Adjustments during the year	-	24.65
Depreciation to date	227.18	201.62
Net Block	77.96	49.05

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, 2021 and March 31, 2020.

C) **Change in Accounting estimates**

As per the requirements of Accounting Standard (AS) 10 – Property, Plant and Equipment, the Bank has reviewed useful life of all its fixed assets. Based on the review, the Bank has identified certain class of assets, wherein based on the technical evaluation / experience of the Bank, the useful life of the assets is different than those estimated in earlier periods, accordingly the Bank has revised useful life of certain identified class of assets, due to which depreciation charge for the financial year 2020-21 is lower by ₹ 22.12 crore.

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 ₹ 162.49 Crore (Previous year: ₹ 164.88 Crore) was charged to Profit and loss account.

4.5 Provisions and Contingencies

- a) Movement in provision for non-credit related* frauds included under other liabilities: (₹ in Crore)

	March 31, 2021	March 31, 2020
Opening balance at the beginning of the year	5.76	4.46
Additions during the year	1.32	1.37
Reductions during the year	1.54	0.07
Balance at the end of the year	5.54	5.76

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

- b) Movement in provision for debit card reward points: (₹ in Crore)

	March 31, 2021	March 31, 2020
Opening provision at the beginning of the year	15.58	5.19
Provision made during the year	15.39	36.49
Reductions during the year	25.13	26.10
Closing provision at the end of the year *	5.84	15.58

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





SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD...)

- c) Movement in provision for other contingencies:

	(₹ in Crore)	
	March 31, 2021	March 31, 2020
Opening provision at the beginning of the year	31.28	55.49
Provision made during the year	14.35	3.57
Provision utilised for Write off during the year	2.30	1.04
Reductions during the year	1.11	26.74
Closing provision at the end of the year	42.22	31.28

4.6 Amount of Provisions made for income-tax during the year

	(₹ in Crore)	
Particulars	Year ended March 31, 2021	Year ended March 31, 2020
Provision for Income tax		
a) Current tax	555.76	562.46
b) Deferred tax	(8.79)	(72.71)
Total	546.97	489.75

4.7 Description of contingent liabilities:

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

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

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

The Bank 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 schedule 12 for amounts relating to contingent liability.)

SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD...)
4.8 Provisioning Pertaining to Fraud Accounts

Particulars	March 31, 2021	March 31, 2020
No. of frauds reported during the year	344	589
Amount involved in fraud (₹ in crore)	723.97	196.70
Amount involved in fraud net of recoveries/write offs/unrealised interest as at the end of the year (₹ in crore)	188.39	27.32
Provision made during the year (₹ in crore)	183.07	25.21
Provision held as at the end of the year for the above accounts (₹ in crore)	188.39	27.32
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, 2021 was ₹ 854.39 Crore (Previous Year: ₹ 1,556.22 Crore).

The aggregate amount of the participation issued by the Bank, reduced from advances as per regulatory guidelines, outstanding as of March 31, 2021 was ₹ Nil (Previous Year: ₹ 450.00 Crore).

4.10 Factoring Exposure

The factoring exposure of the Bank as on March 31, 2021 is ₹ 512.88 Crore (Previous Year: Nil)

4.11 Priority Sector Lending Certificates (PSLC)

As per RBI Circular FIDD.CO.Plan.BC.23/04.09.01/2015-16 dated April 7, 2016 the PSLCs purchased and sold is given below:

(₹ in Crore)

Particulars	March 31, 2021		March 31, 2020	
	Purchased (Face value)	Sold (Face value)	Purchased (Face value)	Sold (Face value)
PSLC – Agriculture	-	-	-	-
PSLC – SF/MF	-	-	-	-
PSLC – Micro Enterprises	200.00	-	-	-
PSLC – General	11,795.25	-	-	-

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 ₹ 35.22 Crores (Previous year: ₹ 42.40 Crore) for the year ended March 31, 2021 towards Corporate Social Responsibility (CSR), in accordance with the Companies Act, 2013.

The Bank has spent 2.00% (previous year 2.79%) of its average net profit for the last three financial years as part of its CSR for the year ended March 31, 2021. 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. Gross amount required to be spent by the Bank for the year ended March 31, 2021 is ₹ 35.22 Crore (Previous year ₹ 30.38 Crore).





SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD...)

The details of amount spent during the respective year towards CSR are as under:

Sr. No.	Particulars	March 31, 2021			March 31, 2020		
		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	35.22*	-	35.22#	42.40*	-	42.40*

(₹ in Crore)

- Includes Contribution to a trust in relation to CSR expenditure in which KMPs of the Bank can exercise significant influence: ₹ 33.42 crores (Previous Year: ₹ 40.62 crores)

* 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.

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.

Krishnakumar K
Executive Vice President

Samir P Rajdev
Company Secretary

Venkatraman Venkateswaran
Group President

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

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

R Rajasekharan
Partner
Membership No: 22703
Place: Kochi

Devang Vaghani
Partner
Membership No: 109386
Place: Mumbai

Place: Kochi
Date : May 17, 2021

Directors:

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)
Varsha Vasant Purandare (DIN: 05288076)

BASEL III – PILLAR 3 DISCLOSURES AS ON MARCH 31, 2021

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
Ageas Federal Life Insurance Company Ltd India	YES	AS 23	NO	NA	NA	Ageas 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 <i>(as stated in the accounting balance sheet of the legal entity)</i>	% 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 <i>(as stated in the accounting balance sheet of the legal entity)</i>
NIL					





c) List of group entities considered for consolidation

(Amount in ₹ Mn.)

Name of the entity / country of incorporation <i>(as indicated in (i)a. above)</i>	Principle activity of the entity	Total balance sheet equity <i>(as stated in the accounting balance sheet of the legal entity)</i>	Total balance sheet assets <i>(as stated in the accounting balance sheet of the legal entity)</i>
Fed bank Financial Services Ltd India	Marketing of Bank's own products and lending against gold and property.	8,308.98	54,011.29
Equirus Capital Private Ltd	The Company is engaged in investment banking. The company caters to both domestic and international market.	536.43	913.23
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	128.16	149.55

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 <i>(as stated in the accounting balance sheet of the legal entity)</i>	% 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 <i>(as stated in the accounting balance sheet of the legal entity)</i>	% 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
Ageas Federal Life Insurance Company Ltd India	Insurance	10,405.53	26%	CRAR will be reduced by 0.12% under deduction Method.

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

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

TABLE DF -2: CAPITAL ADEQUACY

1 Qualitative disclosures		
1.1	<i>A summary discussion of the Bank's approach to assess the adequacy of its capital to support current and future activities</i>	
1.	Policy on Internal Capital Adequacy Assessment Process has been put in place and the assessment of capital commensurate to the risk profile is reviewed on a quarterly basis.	
2.	Capital requirement for current business levels and estimated future business levels are assessed on a periodic basis.	
3.	The minimum capital required to be maintained by the Bank (including CCB) for the period ended March 31, 2021 is 10.875%. The given minimum capital requirement includes capital conservative buffer of 1.875%. Bank's CRAR is above the regulatory minimum as stipulated in Based III Capital Regulations.	
2	Quantitative disclosures (Solo Bank)	(Amount in ₹ Mn)
2.1	Capital requirements for Credit risk	87986.06
	Portfolios subject to Standardized approach	87986.06
	Securitization exposures	0.00
2.2	Capital requirements for Market risk (Standardized duration approach)	3387.04
	Interest rate risk	1499.21
	Foreign exchange risk (including gold)	253.13
	Equity risk	1634.71
2.3	Capital requirements for Operational risk	9085.49
	Basic Indicator Approach	9085.49
	Total Capital Requirements	100458.59
2.4	Common Equity Tier 1, Tier 1 & Total Capital Ratios	Standalone Consolidated
	Common Equity Tier 1 capital ratio	13.85% 14.20%
	Tier 1 capital ratio	13.85% 14.20%
	Total capital ratio	14.62% 15.19%

Structure and organization of Bank's risk management function

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 is designed in tune with the regulatory guidelines.

Bank's Board at the top of the structure assumes overall responsibility for Bank-wide management of risk. The Board approves risk management policies of the Bank and sets risk exposure limits based on Bank's risk appetite and risk bearing capacity. Risk Management Committee of the Board assumes responsibility for 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 the reports placed before it on various risk areas.

There are four support committees of senior executives viz Credit risk management committee, Market risk management committee, Operational risk management committee and Information security committee - (CRMC, ALCO also known as MRMC, 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 Risk Management Committee of the Board. ALCO meets at least once in a month and ISC meets at least once in a quarter. Depending on requirement, ALCO meets at shorter frequencies. CRMC and ORMC meet at least once in a quarter subject to minimum of six meetings in a year while the ISC meets at least once every quarter.

The major risks addressed are Credit risk, Market risk, Operational Risk, Residual credit Risk, Concentration Risk, Interest Rate Risk, Liquidity Risk, Strategic Risk, Reputation Risk, Human Resources Risk, Pension Obligation Risk, IT & Cyber Security Risk, Compliance Risk, and Settlement Risk.





Other material risks identified from time to time are taken care of by one of the above said committees or other functional committees of executives, depending on the nature of risk.

Integrated Risk Management Department is responsible for overall identification, measurement, monitoring and controlling 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 four divisions: Credit Risk Division, Market Risk Division, Operational Risk Division and Compliance and Risk Assurance Cell. Division Heads report to the Head-Risk & Chief Risk Officer who reports directly to the Managing Director & CEO.

Organization Structure:



RISK EXPOSURE AND ASSESSMENT

1. Credit risk

Strategies and processes:

The Bank is exposed to credit risk in its lending operations. The Bank's strategies to manage the credit risks are given below:

- Defined segment exposures delineated into Business Banking, Commercial Banking, Corporate, Retail and Agri advances.
- Industry wise segment ceilings on aggregate lending in respect of certain industries, ceilings have been fixed for specific geographies with a view to contain Concentration risk.
- Individual borrower wise and borrower group wise lending ceilings linked as a percentage to the Bank's eligible capital base 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.
- Major business of the Bank is within India. However, bank has an IFSC branch located in GIFT City, Gujarat. 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 are carried out 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.

- j) 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.
- k) Dedicated Credit Monitoring Department at national level and other key geographies to monitor / follow up of performance of loans and advances.
- l) Credit Administration Department at central level and at other key geographies are formed to ensure compliance of documentation formalities and submission of post credit monitoring reports / compliance of sanction order covenants.
- m) Robust statistical score cards are used for retail credit appraisal process.
- n) Bank also uses Behavioral / transactional models for monitoring the transaction behavior of loan accounts.
- o) Model validation is done on yearly basis to assess the discriminatory power and stability of the models.
- p) 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.
- q) Internal credit rating of all credit proposals above ₹ 10 Crores is confirmed by Integrated Risk Management Department.

Structure and organization of risk management function:

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.

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.

Scope and nature of risk reporting / measurement systems:

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.

Bank has specific rating models capable of rating large corporates, traders, SME, Non-Banking 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 are used for monitoring the performance of the borrower post onboarding. All rating models are subjected to annual validation by objectively assessing the discriminatory power, stability of ratings and calibration of models are undertaken, if necessitated.

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.

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.





Policies for hedging / mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges/ mitigants:

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.

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.

2. Market risk

Strategies and processes:

Market risk is monitored through various risk limits set vide Board approved Market Risk Management Policy. Detailed policies like Asset Liability Management Policy, Investment, Forex and Derivatives 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.

The policies and practices also take care of monitoring and controlling of liquidity risk arising out of its banking and trading book operations.

Structure and organization of risk management function:

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.

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.

Scope and nature of risk reporting / measurement systems:

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.

Policies for hedging/ mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges/ mitigants:

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.

Liquidity risk of the Bank is assessed through Statements of Structural Liquidity, Liquidity Coverage Ratio 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 and Liquidity Coverage Ratio are computed on a daily basis and Dynamic liquidity position is assessed on a monthly basis.

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.

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.

3. Operational risk

Strategies and processes:

The Bank is exposed to operational risk in all its activities. 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, organization structure and risk profile. Business Continuity and Disaster Recovery Plans are established to ensure continuity of critical operations of the Bank and safety of its people. Robust information and cyber security frameworks are established for securing the IT infrastructure and systems of the Bank.

Structure and organization of risk management function:

Bank has put in place a detailed framework for Operational Risk Management with a well-defined ORM Policy. The Risk Management Committee of the Board oversees Bank-wide operational risk management. Operational Risk Management Committee (ORMC) at the executive level oversees bank wide implementation of Board approved policies and processes in this regard. The operational risk management framework of the Bank also encompasses information and cyber security framework for securing the IT infrastructure and systems. The executive level Information Security Committee (ISC) is responsible for implementation of strategies and policies for protection of all information assets of the Bank. The Information Security Team headed by the Chief Information Security Officer (CISO) formulates and periodically reviews the information and cyber security policies and practices.

Scope and nature of risk reporting / measurement systems:

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 conducting RCSAs (Risk and Control Self-Assessments) regularly to assess the level of inherent and residual risks and appropriate controls are introduced, wherever necessary, to reduce the risk levels. The controls are frequently tested based on the level of the underlying risk and if failure exceeds defined thresholds, immediate steps are initiated for remediation/ improvement of the failed control.

Bank is monitoring Key Risk Indicators on a periodical basis for assessing the changes in operational risk profile and triggering reviews and corrective actions, if required.

Policies for hedging / mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges/ mitigants:

A robust control mechanism covering centralised processing, segregation of duties, straight through processing, timely reconciliation, user access controls etc. is in place and periodically reviewed. Wherever deficiencies are found in process or improvements required in the mitigants, such activities are taken up by respective functional owners. Various training and awareness programmes are conducted to improve awareness among the staff regarding the internal controls and procedures as also the various actions to be taken to avoid or minimize operational risks.

Prior to launching of any new product or process or alteration of any existing product or process, all relevant risks are analysed and processes and controls established to manage the risks involved.

As information & communication technologies are relied on for delivery of banking services, robust system level controls are put in place to ensure the confidentiality, integrity and availability of information systems in the Bank. There is a Security Operations Centre (SOC) which performs security monitoring round the clock. Bank has also received ISO 27001 accreditation for its critical IT areas.

To evaluate the effectiveness of the business continuity arrangements, periodic drills and tests are conducted. A preventive vigilance framework is in place, whereby various transactions are monitored by dedicated teams from the angle of fraud risk and AML. Bank is also using insurance for reducing the impact of various operational risk losses and liabilities.

The Inspection & Audit Department undertakes various audits like RBIA, Revenue Audit, IS Audit, Special Audit, Management Audit etc. to provide an independent assurance on the management of operational risks.





4. Interest rate risk in Banking Book

Strategies and processes:

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.

Structure and organization of risk management function:

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.

Scope and nature of risk reporting / measurement systems:

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 for approval. Stress tests are conducted to assess the impact of interest rate risk under different stress scenarios on earnings of the Bank.

Policies for hedging / mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges/ mitigants:

Bank has put in place mitigating / hedging measures prescribed by Investment Forex and derivative Policy, ALM Policy, 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.

TABLE DF – 3: CREDIT RISK: GENERAL DISCLOSURES

Qualitative disclosures

Definitions of past due and impaired (for accounting purposes):

1. Non-Performing Assets

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

- a. Interest and/ or installment of principal remain overdue for a period of more than 90 days in respect of a term loan.
- b. The account remains 'Out of order' as indicated in paragraph 2 below, in respect of an Overdraft / Cash Credit (OD/CC).
- c. The bill remains overdue for a period of more than 90 days in case of bills purchased and discounted.
- d. The installment of principal or interest thereon remains overdue for two crop seasons for short duration crops.
- e. The installment of principal or interest thereon remains overdue for one crop season for long duration crops.

2. 'Out of Order' status

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.

3. 'Overdue'

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.

4. Special Mention Accounts

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:

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

In the case of revolving credit facilities like cash credit, the SMA sub-categories will be as follows

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

Credit Risk

Credit Risk may be defined as

- Inability or unwillingness of the counterparty to pay interest, repay principal or otherwise to fulfill their contractual obligations under loan agreements or other credit facilities.
- 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).

Discussion of the Bank's Credit Risk Management Policy:

Bank has put in place a detailed Credit Risk Management Policy. Goal of this policy is to create a transparent framework for identification, assessment and effective management of credit risk in all operations of the Bank and to secure organizational strength and stability in the long run. The policy aims at contributing to the Bank's profitability by efficient and profitable utilization of a prudent proportion of the Bank's resources and maintaining a reasonably balanced portfolio of acceptable risk quality through diversification of credit risks. The policy also envisages optimizing returns with satisfactory spread over funding cost and overheads.

The policy deals with the structure, framework and processes for effective management of inherent credit risk. Credit Risk Management Policy also provide a framework for identification of stressed sectors in the economy and creating additional provision for exposures to these sectors..

Quantitative disclosures

(Amount in ₹ Mn.)

	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)	1678690	112270	1790960
Geographic distribution of exposures (same basis as adopted for segment reporting adopted for compliance with AS 17)			
Overseas	20518	0	20518
Domestic	1658172	112270	1770442

*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	6944	29	6972	0.39%
A.1 Coal	178	20	198	0.01%
A.2 Others	6765	9	6774	0.38%
B. Food Processing	21456	2431	23887	1.33%
B.1 Sugar	2437	4	2441	0.14%
B.2 Edible Oils and Vanaspati	1599	1081	2680	0.15%
B.3 Tea	841	10	851	0.05%
B.4 Coffee	600	1	601	0.03%
B.5 Others	15979	1336	17315	0.97%
C. Beverages (excluding Tea & Coffee) and Tobacco	4677	7	4685	0.26%
C.1 Tobacco and tobacco products	161	0	161	0.01%
C.2 Others	4516	7	4523	0.25%
D. Textiles	32817	1964	34780	1.94%
D.1 Cotton	11994	1041	13035	0.73%
D.2 Jute	131	5	136	0.01%
D.3 Man-made	79	25	104	0.01%
D.4 Others	20613	892	21505	1.20%
Out of D (i.e., Total Textiles) to Spinning Mills	4818	264	5082	0.28%
E. Leather and Leather products	1903	22	1925	0.11%
F. Wood and Wood Products	4895	573	5468	0.31%
G. Paper and Paper Products	7549	829	8378	0.47%
H. Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels	16369	1095	17464	0.98%
I. Chemicals and Chemical Products (Dyes, Paints, etc.)	42645	2100	44745	2.50%
I.1 Fertilizers	13390	441	13830	0.77%
I.2 Drugs and Pharmaceuticals	9203	631	9834	0.55%
I.3 Petro-chemicals (excluding under Infrastructure)	0	0	0	0.00%
I.4 Others	20052	1029	21081	1.18%
J. Rubber, Plastic and their Products	11091	1328	12419	0.69%
K. Glass & Glassware	3995	424	4419	0.25%
L. Cement and Cement Products	6800	112	6912	0.39%
M. Basic Metal and Metal Products	27694	3722	31415	1.75%
M.1 Iron and Steel	13927	1472	15398	0.86%
M.2 Other Metal and Metal Products	13767	2250	16017	0.89%

(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
N. All Engineering	24351	8837	33188	1.85%
N.1 Electronics	2797	901	3697	0.21%
N.2 Others	21554	7937	29491	1.65%
O. Vehicles, Vehicle Parts and Transport Equipments	25755	1060	26815	1.50%
P. Gems and Jewellery	5765	291	6056	0.34%
Q. Construction	18267	14084	32351	1.81%
R. Infrastructure	143161	24689	167851	9.37%*
R.a Transport (a.1 to a.6)	12862	757	13619	0.76%
R.a.1 Roads and Bridges	2479	343	2823	0.16%
R.a.2 Ports	293	29	323	0.02%
R.a.3 Inland Waterways	0	0	0	0.00%
R.a.4 Airport	10085	347	10433	0.58%
R.a.5 Railway Track, tunnels, viaducts, bridges	0	0	0	0.00%
R.a.7 Shipyards	0	0	0	0.00%
R.a.8 Logistics Infrastructure	4	0	4	0.00%
R.a.6 Urban Public Transport (except rolling stock in case of urban road transport)	0	37	37	0.00%
R.b. Energy (b.1 to b.6)	67269	2445	69714	3.89%
R.b.1 Electricity Generation	54910	1970	56880	3.18%
R.b.1.1 Central Govt PSUs	43279	0	43279	2.42%
R.b.1.2 State Govt PSUs (incl. SEBs)	1273	0	1273	0.07%
R.b.1.3 Private Sector	10357	1970	12327	0.69%
R.b.2 Electricity Transmission	3552	191	3743	0.21%
R.b.2.1 Central Govt PSUs	221	0	221	0.01%
R.b.2.2 State Govt PSUs (incl. SEBs)	270	0	270	0.02%
R.b.2.3 Private Sector	3061	191	3252	0.18%
R.b.3 Electricity Distribution	8808	283	9091	0.51%
R.b.3.1 Central Govt PSUs	0	0	0	0.00%
R.b.3.2 State Govt PSUs (incl. SEBs)	4991	0	4991	0.28%
R.b.3.3 Private Sector	3816	283	4100	0.23%
R.b.4 Oil Pipelines	0	0	0	0.00%
R.b.5 Oil/Gas/Liquefied Natural Gas (LNG) storage facility	0	0	0	0.00%
R.b.6 Gas Pipelines	0	0	0	0.00%
R.c. Water and Sanitation (c.1 to c.7)	81	19	100	0.01%
R.c.1 Solid Waste Management	0	19	19	0.00%
R.c.2 Water supply pipelines	78	0	78	0.00%





(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
R.c.3 Water treatment plants	0	0	0	0.00%
R.c.4 Sewage collection, treatment and disposal system	0	0	0	0.00%
R.c.5 Irrigation (dams, channels, embankments etc)	2	0	2	0.00%
R.c.6 Storm Water Drainage System	0	0	0	0.00%
R.c.7 Slurry Pipelines	0	0	0	0.00%
R.d. Communication (d.1 to d.3)	5839	163	6002	0.34%
R.d.1 Telecommunication (Fixed network)	41	3	44	0.00%
R.d.2 Telecommunication towers	158	72	231	0.01%
R.d.3 Telecommunication and Telecom Services	5640	87	5727	0.32%
R.e. Social and Commercial Infrastructure (e.1 to e.9)	9185	1262	10447	0.58%
R.e.1 Education Institutions (capital stock)	4677	178	4854	0.27%
R.e.2 Hospitals (capital stock)	2391	1068	3459	0.19%
R.e.3 Three-star or higher category classified hotels located outside cities with population of more than 1 million	2114	17	2130	0.12%
R.e.4 Common infrastructure for industrial parks, SEZ, tourism facilities and agriculture markets	0	0	0	0.00%
R.e.5 Fertilizer (Capital investment)	0	0	0	0.00%
R.e.6 Post harvest storage infrastructure for agriculture and horticultural produce including cold storage	0	0	0	0.00%
R.e.7 Terminal markets	0	0	0	0.00%
R.e.8 Soil-testing laboratories	0	0	0	0.00%
R.e.10 Sports Infrastructure	0	0	0	0.00%
R.e.11 Tourism - Ropeways and Cable Cars	0	0	0	0.00%
R.e.12 Affordable Housing	4	0	4	0.00%
R.e.9 Cold Chain	0	0	0	0.00%
R.f. Others	47925	20044	67969	3.80%
S. Other Industries	11889	443	12331	0.69%
All Industries (A to S)	418023	64040	482062	26.92%
Service	516965	45246	562212	31.39%
Interbank exposure	80,943	0.00	80943	4.52%
Retail, Agri & Residual exposures	642241	2984	645225	36.03%
Total	1678690	112270	1790960	

* 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	16671.92	2704.84	18306.90	81495.58	22084.78	0.00	4084.18	145348.20
2 – 7 days	0.00	607.58	56703.15	2944.05	13027.97	0.00	0.00	73282.74
8-14 days	0.00	894.90	5561.36	3861.03	7853.98	0.00	3366.45	21537.71
15-30 days	0.00	1344.51	14294.25	6656.64	21021.07	0.00	370.64	43687.11
31 days & up to 2 months	0.00	3729.66	11185.01	16415.72	42266.00	0.00	367.73	73964.12
Over 2 months & up to 3 months	0.00	2320.79	12634.00	10805.44	46779.66	0.00	96.56	72636.45
Over 3 months & up to 6 months	0.00	7338.59	730.41	17287.19	105681.75	0.00	4269.60	135307.54
Over 6 months & up to 1 year	0.00	11454.24	0.00	13698.47	163259.54	0.00	34178.04	222590.30
Over 1 year & up to 3 years	0.00	27219.65	25.88	43681.61	551455.83	0.00	46241.17	668624.14
Over 3 years & up to 5 years	0.00	1488.23	2.50	49865.30	168275.62	0.00	17073.45	236705.09
Over 5 years & upto 7 years	0.00	301.66	0.00	68060.66	76630.33	0.00	10391.71	155384.36
Over 7 years & up to 10 years	0.00	391.60	0.00	45390.63	53525.78	0.00	172.38	99480.39
Over 10 year & up to 15 years	0.00	2.06	0.00	80.19	34910.37	0.00	25.29	35017.91
Over 15 years	0.00	0.17	0.00	11619.59	12013.34	4911.29	1563.42	30107.81
Total	16671.92	59798.49	119443.46	371862.10	1318786.01	4911.29	122200.61	2013673.87

ASSET QUALITY
Advances

(Amount in ₹ Mn.)

Amount of Non-Performing Assets (Gross)	46,023.85
Substandard	17,662.97
Doubtful 1	8,436.17
Doubtful 2	11,067.10
Doubtful 3	4,970.84
Loss	3,886.77
Net NPA	15,692.80





NPA ratios

Gross NPAs to gross advances (%)	3.41%
Net NPAs to net advances (%)	1.19%

Movement of NPAs (Gross)

Opening balance <i>(balance as at the end of previous Fiscal)</i>	35,308.30
Additions during the period	19,219.09
Reductions	8,503.54
Closing balance	46,023.85

* Including stressed asset sold to ARC

Movement of provisions

(Amount in ₹ Mn.)

	Specific Provision	General Provision
Opening balance (balance as at the end of previous Fiscal)	18,160.89	691.80
Provisions made during the period	17,119.53	-
Write Off	3,975.25	-
Write back of excess provisions	2,015.85	-
Any other adjustments, including transfers between provisions	-	-
Closing balance	29,289.32	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	809.99
Recoveries that have been booked directly to the income statement	1,066.55

Investments

(Amount in ₹ Mn.)

Amount of Non-Performing Investments (Gross)	1066.29
Amount of provisions held for Non Performing Investments	1000.96

Movement of provisions for depreciation on investments

Opening balance (balance as at the end of previous Fiscal)	3470.71
Provisions made during the period	284.99
Write-off	0.00
Write-back of excess provisions	(422.94)
Closing balance	3332.75

Major Industry breakup of NPA

(Amount in ₹ Mn.)

Industry	Gross NPA	Specific Provision
NPA in Top 5 industries	7,289.44	5,207.75

Geography wise Distribution of NPA and Provision

(Amount in ₹ Mn.)

Geography	Gross NPA	Specific Provision	General Provision
Domestic	42,514.59	26,602.55	691.80
Overseas	3,509.26	2,686.77	-
Total	46,023.85	29,289.32	691.80

TABLE DF – 4: DISCLOSURES FOR PORTFOLIOS SUBJECT TO THE STANDARDIZED APPROACH
1. Qualitative disclosures

For portfolios under the Standardized Approach:

Names of credit rating agencies used, plus reasons for any changes:

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.

External Credit Rating Agencies approved are:

1. CRISIL Ratings Ltd
2. CARE
3. India Ratings and Research Private Limited (Formerly FITCH INDIA)
4. ICRA
5. Brickwork Ratings India Pvt. Ltd. (BRICKWORK)
6. Acuite Rating & Research (Formerly SMERA Ratings Ltd)
7. INFOMERICS Valuation and Rating Pvt. Ltd. (INFOMERICS)

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:

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:

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.

The rating reviewed, at least once during past 15 months will only be considered for risk weighting purposes.

Description of the process used to transfer public issue ratings into comparable assets in the Banking Book:

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:

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%	13,34,288.80
	100%	4,27,083.64
	More than 100%	93,825.99
	Deducted	5,573.08
	Total	18,55,198.44

*Investment in subsidiary




TABLE DF – 5: CREDIT RISK MITIGATION: DISCLOSURES FOR STANDARDIZED APPROACHES

1. Qualitative disclosures	<p>Disclosures on credit risk mitigation methodology adopted by the Bank that are recognized under the Standardized Approach for reducing capital requirements for credit risk</p>
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	<p>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.</p>
1.2 Policies and processes for collateral valuation and management	<p>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.</p>
1.3 Description of the main types of collateral taken by the Bank	<p>Collaterals used by Bank as risk mitigants for capital computation under Standardized Approach comprise eligible financial collaterals namely:</p> <ol style="list-style-type: none"> 1. Cash margin and fixed deposits of the counterparty with the Bank. 2. Gold jewel 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. 4. Kisan Vikas Patra and National Savings Certificates. 5. Life Insurance Policies with a declared surrender value of an Insurance company regulated by the insurance sector regulator. 6. Debt securities rated by a chosen Credit Rating Agency in respect of which the Bank is sufficiently confident of market liquidity of the security and where these securities are either: <ol style="list-style-type: none"> 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 b. Attracting 100% or lesser risk weight i.e. rated at least A3 for short term debt instruments 7. Debt securities not rated by a chosen Credit Rating Agency in respect of which the bank is sufficiently confident of market liquidity of the security and where these securities are: <ol style="list-style-type: none"> a. Issued by the bank b. Listed on a recognized exchange c. Classified as senior debt 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 e. The bank has no information to suggest that the issue justifies a rating below BBB (-) or A3 by a chosen Credit Rating Agency f. Bank is sufficiently confident about the market liquidity of the security. 8. Units of Mutual Funds regulated by the securities regulator of the jurisdiction of the Bank's operation and mutual funds where <ol style="list-style-type: none"> a. A price for the units is publicly quoted daily i.e. where the daily NAV is available in public domain b. Mutual fund is limited to investing in the permitted instruments listed. <p>Bank has no practice of monitoring / controlling exposures on a net basis, though Bank is able to determine at any time loans/ advances and deposits of the same counterparty. Netting benefit, even if available, is not utilized in capital computation under Basel III norms.</p>

1.4 Main types of guarantor counterparty and their creditworthiness

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.

Main types of guarantor counterparties are

- a. Sovereigns (Central / State Governments)
- b. Sovereign entities like ECGC, CGFTSI
- 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.

1.5 Information on market / credit risk concentrations within the mitigation taken by the Bank

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 concentration in 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 on account of maintaining RBI stipulated LTV and close monitoring if the accounts. Measures warranted during each situation were timely taken.

Bank has not experienced any significant Market liquidity risk in Gold. Overall, financial collaterals do not have any issue in realization.

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.

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	246415.90	212311.30	34104.60
B Non funded Credit exposure	36961.45	20739.50	16221.94
C Securitization exposures – On balance sheet	-	-	-
D Securitization exposures – Off balance sheet	-	-	-
TOTAL	254170.74	219571.97	34598.77

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	45308.21	45214.21
B Non funded Credit exposure	10.48	2.22
C Securitization exposures – on balance sheet	-	-
D Securitization exposures – off balance sheet	-	-
TOTAL	45318.69	45216.43




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
2.1 In the Banking Book

(Amount in ₹ Mn)

A	Total amount of exposures securitized by the Bank		Nil												
B	For exposures securitized, losses recognized by the Bank during the current period (<i>exposure type wise break up</i>)		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) (Direct assignment of Cash flows)	<table border="1"> <tbody> <tr> <td>Commercial Vehicle/ MSME</td> <td>657.65</td> </tr> <tr> <td>Housing</td> <td>8077.35</td> </tr> <tr> <td>Loan against property</td> <td>12780.48</td> </tr> <tr> <td>Personal</td> <td>1803.94</td> </tr> <tr> <td>Agri / Allied activities</td> <td>900.36</td> </tr> <tr> <td>Total</td> <td>24219.79</td> </tr> </tbody> </table>	Commercial Vehicle/ MSME	657.65	Housing	8077.35	Loan against property	12780.48	Personal	1803.94	Agri / Allied activities	900.36	Total	24219.79	
Commercial Vehicle/ MSME	657.65														
Housing	8077.35														
Loan against property	12780.48														
Personal	1803.94														
Agri / Allied activities	900.36														
Total	24219.79														
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	7981.03 335.88												
		Commercial Vehicle / MSME	494.71 32.00												
		Loan against property	4782.81 319.38												
		Agri / Allied activities	900.36 60.77												
		Personal	0.07 0.00												
	At 100%	Commercial Vehicle / MSME	162.94 13.78												
		Personal	1803.87 162.20												
		Loan against property	7974.67 709.83												
	More than 100%	Housing Loans	96.32 7.49												
		Loan against property	23.00 2.64												
		Housing Loans	0.00 0.00												
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	3326.47

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	5.05%	3326.47

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	5.05%	168.12

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

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

- 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

Specific capital charge for market risk is computed based on risk weights prescribed by the Regulator.

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	3,387.05
Interest rate risk	1499.21
Foreign exchange risk (including gold)	253.13
Equity position risk	1634.71

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
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.
a) Earnings perspective: Analyses the impact on Bank's Net Interest Income (NII) in the short term through traditional gap analysis.
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.
The Bank classifies an asset/liability as rate sensitive if:
<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.
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.
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.
IRRBB is assessed on a monthly basis and monitored by ALCO, both under earnings and economic value perspectives.

(Amount in ₹ Mn.)

2 Quantitative disclosures - Impact of interest rate risk		
	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	489.72	590.93
Economic value perspective – percentage and quantum of decrease in market value of equity on account of 1% uniform increase/decrease in interest rate	11012.42	9996.64

(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. The credit equivalent amounts of derivatives that are subjected to risk weighting are calculated as per the Current Exposure Method. The balance outstanding and the current exposure thereof are as follows:

(Amount in ₹ Mn.)

Particulars	Notional Amounts	Current Exposure
Foreign exchange contracts	191696.50	14434.64
Interest rate derivative contracts	23730.00	391.01
Total	215426.50	14825.65

TABLE DF-11: COMPOSITION OF CAPITAL

(Amount in ₹ Mn.)

Basel III common disclosure template	Ref No
Common Equity Tier 1 capital: instruments and reserves	
1 Directly issued qualifying common share capital plus related stock surplus (share premium)	a+d
2 Retained earnings	l-m1
3 Accumulated other comprehensive income (and other reserves)	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	160973.42
Common Equity Tier 1 capital: regulatory adjustments	
7 Prudential valuation adjustments	0.00
8 Goodwill (net of related tax liability)	x1
9 Intangibles other than mortgage-servicing rights (net of related tax liability)	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-in capital on reported balance sheet)	0.00
17 Reciprocal cross-holdings in common equity	0.00
18 Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	0.00

(Amount in ₹ Mn.)

Basel III common disclosure template		Ref No
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	<i>of which:</i> significant investments in the common stock of financial entities	
24	<i>of which:</i> mortgage servicing rights	0.00
25	<i>of which:</i> deferred tax assets arising from temporary differences	0.00
26	National specific regulatory adjustments (26a+26b+26c+26d)	0.00
26 a	<i>of which:</i> Investments in the equity capital of the unconsolidated insurance subsidiaries	0.00
26 b	<i>of which:</i> Investments in the equity capital of unconsolidated non-financial subsidiaries	0.00
26 c	<i>of which:</i> Shortfall in the equity capital of majority owned financial entities which have not been consolidated with the bank	0.00
26 d	<i>of which:</i> 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	169.85
29	Common Equity Tier 1 capital (CET1)	160803.57
Additional Tier 1 capital: instruments		
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus (share premium) (31+32)	0.00
31	<i>of which:</i> classified as equity under applicable accounting standards (Perpetual Non-Cumulative Preference Shares)	0.00
32	<i>of which:</i> 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	<i>of which:</i> 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





(Amount in ₹ Mn.)

Basel III common disclosure template		Ref No
41	National specific regulatory adjustments (41a+41b)	0.00
41 a	<i>of which:</i> Investments in the Additional Tier 1 capital of unconsolidated insurance subsidiaries	0.00
41 b	<i>of which:</i> 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)	160803.57
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	<i>of which:</i> instruments issued by subsidiaries subject to phase out	0.00
50	Provisions	8238.22 ci+h+o+g
51	Tier 2 capital before regulatory adjustments	11238.22
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	<i>of which:</i> Investments in the Tier 2 capital of unconsolidated insurance subsidiaries	0.00
56 b	<i>of which:</i> 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)	11238.22
59	Total capital (TC = T1 + T2) (45 + 58)	172041.79
60	Total risk weighted assets (60a + 60b + 60c)	1132732.76
60 a	<i>of which:</i> total credit risk weighted assets	994149.11
60 b	<i>of which:</i> total market risk weighted assets	37633.76
60 c	<i>of which:</i> total operational risk weighted assets	100949.89

(Amount in ₹ Mn.)

Basel III common disclosure template		Ref No
Capital ratios and buffers		
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	14.20%
62	Tier 1 (as a percentage of risk weighted assets)	14.20%
63	Total capital (as a percentage of risk weighted assets)	15.19%
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)	0.00%
65	<i>of which:</i> capital conservation buffer requirement	1.875%
66	<i>of which:</i> bank specific countercyclical buffer requirement	0.00%
67	<i>of which:</i> G-SIB buffer requirement	0.00%
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	8.70%
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	6227.37
73	Significant investments in the common stock of financial entities	5573.08
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)	6318.48
77	Cap on inclusion of provisions in Tier 2 under standardised approach	12426.86
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	223.50
	Total as indicated in row 10	223.50
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
	<i>of which:</i> Increase in Common Equity Tier 1 capital	2080.00
	<i>of which:</i> Increase in Additional Tier 1 capital	0.00
	<i>of which:</i> 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	6318.48
	Investment Fluctuation Reserve included in Tier 2 capital	1897.20
	Eligible Revaluation Reserves included in Tier 2 capital	22.54
	Total of row 50	8238.22

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
		31-03-2021	31-03-2021
A	Capital & Liabilities		
i	Paid-up Capital	3992.30	3992.30
	Reserves & Surplus	157243.79	162513.69
	Minority Interest		
	Total Capital	161236.09	166505.99
ii	Deposits	1726444.80	1721861.04
	<i>of which:</i> Deposits from banks	31492.82	31492.82
	<i>of which:</i> Customer deposits	1694951.98	1690368.22
	<i>of which:</i> Other deposits (pl. specify)	0.00	0.00
iii	Borrowings	90685.03	122706.01
	<i>of which:</i> From RBI	0.00	0.00
	<i>of which:</i> From banks	6773.00	35555.02
	<i>of which:</i> From other institutions & agencies	62220.11	65459.07
	<i>of which:</i> Others (pl. specify)	21691.93	21691.93
	<i>of which:</i> Capital instruments	3000.00	3000.00
iv	Other liabilities & provisions	35307.96	37908.62
	Total Liabilities	2013673.88	2048981.66

TABLE DF-12

(Amount in ₹ Mn.)

Composition of Capital: Reconciliation Requirements Step 1		Balance sheet as in	Balance sheet under
		financial statements	regulatory scope of consolidation
		31-03-2021	31-03-2021
B	Assets		
i	Cash and balances with Reserve Bank of India	76470.41	76545.10
	Balance with banks and money at call and short notice	119443.46	121612.25
ii	Investments:	371862.10	366633.12
	<i>of which:</i> Government securities	327826.42	327826.42
	<i>of which:</i> Other approved securities	0.00	0.00
	<i>of which:</i> Shares	5302.60	5116.73
	<i>of which:</i> Debentures & Bonds	21919.58	19607.86
	<i>of which:</i> Subsidiaries / Joint Ventures / Associates	5208.08	2080.00
	<i>of which:</i> Others (Commercial Papers, Mutual Funds etc.)	11605.41	11855.40
iii	Loans and advances	1318786.01	1355144.12
	<i>of which:</i> Loans and advances to banks	10682.03	10682.03
	<i>of which:</i> Loans and advances to customers	1308103.99	1344462.10
iv	Fixed assets	4911.29	5174.87
v	Other assets	122200.61	123872.19
	<i>of which:</i> Goodwill and intangible assets	0.00	23.14
	<i>of which:</i> Deferred tax assets	0.00	223.50
vi	Goodwill on consolidation		
vii	Debit balance in Profit & Loss account		
Total Assets		2013673.88	2048981.66





TABLE DF-12

(Amount in ₹ Mn.)

Composition of Capital: Reconciliation Requirements Step 2		Balance sheet as in	Balance sheet under	Ref No.
		financial statements	regulatory scope of consolidation	
		31-03-2021	31-03-2021	
A	Capital & Liabilities			
i	Paid-up Capital	3992.30	3992.30	
	<i>of which:</i> Amount eligible for CET1	3992.30	3992.30	a
	<i>of which:</i> Amount eligible for AT1	0.00	0.00	
	Reserves & Surplus	157243.79	162513.69	
	Of which	0.00	0.00	
	- Statutory Reserve	33809.73	33809.73	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	ci
	- Share premium	51752.89	53303.28	d
	- Capital Reserve	6580.46	6580.46	e
	- Revenue and other reserves	22466.21	22797.70	f
	- Investment fluctuation reserve	1897.20	1897.20	g
	- Investment reserve			h
	- Foreign Currency Translation Reserve (at a discount of 75 per cent)	82.57	82.57	i
	- Special reserve	7249.80	7249.80	j
	- Contingency reserve	301.00	301.00	k
	- Balance in Profit and loss account at the end of the previous financial year	26166.68	27044.28	l
	- Current Financial year profit (After appropriations)	6887.15	7230.23	m
	- Dividend appropriation considered for regulatory purposes		1397.30	m1
	Minority Interest	0.00	2167.34	m2
	- Cash flow hedge reserve	0.00		
	Total Capital	161236.09	166505.99	
ii	Deposits	1726444.80	1721861.04	
	<i>of which:</i> Deposits from banks	31492.82	31492.82	
	<i>of which:</i> Customer deposits	1694951.98	1690368.22	
	<i>of which:</i> Other deposits (pl. specify)	0.00	0.00	
iii	Borrowings	90685.03	122706.01	
	<i>of which:</i> From RBI			
	<i>of which:</i> From banks	6773.00	35555.02	
	<i>of which:</i> From other institutions & agencies	62220.11	65459.07	
	<i>of which:</i> Others	21691.93	21691.93	
	<i>of which:</i> 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	

TABLE DF-12

(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.
		31-03-2021	31-03-2021	
iv	Other liabilities & provisions	35307.96	37908.62	
	<i>of which:</i> DTLs	167.97	0.00	
	<i>of which:</i> Standard asset provision included under Tier II	7367.30	6318.48	o
	Total Liabilities	2013673.88	2048981.66	
B	Assets			
i	Cash and balances with Reserve Bank of India	76470.41	76545.10	
	Balance with banks and money at call and short notice	119443.46	121612.25	
ii	Investments	371862.10	366633.12	
	<i>of which:</i> Government securities	327826.42	327826.42	
	<i>of which:</i> Other approved securities	0.00	0.00	
	<i>of which:</i> Shares	5302.60	5116.73	
	<i>of which:</i> Good will	0.00	146.71	x1
	<i>of which:</i> Debentures & Bonds	21919.58	19607.86	
	<i>of which:</i> Subsidiaries / Joint Ventures / Associates	5208.08	2080.00	
	<i>of which:</i> Others (Commercial Papers, Mutual Funds etc.)	11605.41	11855.40	
iii	Loans and advances	1318786.01	1355144.12	
	<i>of which:</i> Loans and advances to banks	10682.03	10682.03	
	<i>of which:</i> Loans and advances to customers	1308103.99	1344462.10	
iv	Fixed assets	4911.29	5174.87	
	<i>of which:</i> Intangible assets	0.00	23.14	p
v	Other assets	122200.61	123872.19	
	a Other intangibles (excluding MSRs)	0.00	0.00	r
	b Deferred tax assets	0.00	223.50	
	c MAT credit entitlement	0.00	0.00	
vi	Goodwill on consolidation	0.00	0.00	
vi	Debit balance in Profit & Loss account	0.00	0.00	
	Total Assets	2013673.88	2048981.66	

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.

$$\text{Leverage Ratio} = \frac{\text{(Tier I Capital)}}{\text{(Total Exposure)}}$$



**TABLE DF 17 - SUMMARY COMPARISON OF ACCOUNTING ASSETS VS. LEVERAGE RATIO EXPOSURE MEASURE.**

Item	(Amount in ₹ Mn.)
1 Total consolidated assets as per published financial statements	2013673.88
2 Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	35307.78
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)	169.85
4 Adjustments for derivative financial instruments	16033.07
5 Adjustment for securities financing transactions (i.e. repos and similar secured lending)	37000.00
6 Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	145873.48
7 Other adjustments	3647.72
8 Leverage ratio exposure	2251366.08

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)	2052629.38
2 (Asset amounts deducted in determining Basel III Tier 1 capital)	169.85
3 Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)	2052459.53
Derivative exposures	
4 Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	3741.46
5 Add-on amounts for PFE associated with all derivatives transactions	12291.61
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)	16033.07
Securities financing transaction exposures	
12 Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	37000.00
13 (Netted amounts of cash payables and cash receivables of gross SFT assets)	0.00
14 CCR exposure for SFT assets	0.00
15 Agent transaction exposures	0.00
16 Total securities financing transaction exposures (sum of lines 12 to 15)	37000.00
Other off-balance sheet exposures	
17 Off-balance sheet exposure at gross notional amount	396656.91
18 (Adjustments for conversion to credit equivalent amounts)	250783.43
19 Off-balance sheet items (sum of lines 17 and 18)	145873.48
Capital and total exposures	
20 Tier 1 Capital	160803.57
21 Total exposures (sum of lines 3, 11, 16 and 19)	2251366.08
Leverage ratio	
22 Basel III leverage ratio	7.14%*

*Leverage ratio (Solo): 6.98%

Independent Auditor’s Report

**To the Members of
The Federal Bank Limited**

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of The Federal Bank Limited (hereinafter referred as the ‘the Bank’ or ‘Holding Company’) and its subsidiaries (Holding Company and subsidiaries together referred to as ‘the Group’) and its associates which comprise the consolidated Balance Sheet as at March 31, 2021, the consolidated Profit and Loss Account and 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 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 for banking Companies and give a true and fair view in conformity with accounting principles generally accepted in India, of the state of affairs of the Group and its associates as at March 31, 2021, of its consolidated profit and consolidated cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit of the consolidated financial statements in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those Standards

are further described in the ‘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 “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 consolidated 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 obtained by us along with the consideration of audit reports of other auditors referred to in the “Other Matters” paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

Emphasis of Matter

We draw attention to Note No. 1.13 (e) of Schedule 18 to the consolidated financial statements regarding the impact of COVID-19 pandemic on the Bank’s operations and financial position, which will depend on various uncertain aspects including actions taken to mitigate the same and other regulatory measures.

Our opinion on the consolidated financial statements 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 consolidated financial statements for the financial year ended March 31, 2021. 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 matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

Description of Key Audit Matters

Key Audit Matters	How our audit addressed the Key Audit Matters
Classification of Advances, Identification of Non-Performing Advances, Income Recognition and Provision on Advances (Schedule 9 read with Note 5.2 of Schedule 17 and Note 1.8 of Schedule 18 to the consolidated financial statements)	
(i) Advances include Bills purchased and discounted, Cash credits, Overdrafts, Loans repayable on demand and Term loans. These are further categorised as secured by Tangible assets (including advances against Book Debts), covered by Bank/ Government Guarantees and Unsecured advances. The Reserve Bank of India (‘RBI’) has prescribed the ‘Prudential Norms on Income Recognition, Asset Classification and Provisioning’ in respect of advances for banks (‘IRACP Norms’), including circulars in relation to COVID-19 Regulatory Package – Asset Classification and Provisioning.	Our audit approach / procedures towards Classification of Advances, Identification of Non-performing Advances, Income Recognition and Provision on Advances included the following: - Understanding and considering the Bank’s accounting policies for NPA identification and provisioning and assessing compliance with the prudential norms prescribed by the RBI (IRACP Norms) including the additional provisions made on advances considering the current uncertain economic environment arising out of COVID 19 pandemic. - Understanding, evaluation and testing the design and operating effectiveness of key controls (including application controls) for identification and provisioning of impaired accounts based on the extant guidelines on IRACP laid down by the RBI.





Independent Auditor's Report (Contd...)

Key Audit Matters	How our audit addressed the Key Audit Matters
<p>The identification of performing and non-performing advances involves establishment of proper mechanism and the Bank is required to apply significant degree of judgement to identify and determine the amount of provision required against each non-performing asset ('NPA') applying both quantitative as well as qualitative factors prescribed by the regulations.</p> <p>Significant judgements and estimates for NPA identification and provisioning could give rise to material misstatements on:</p> <ul style="list-style-type: none"> - Completeness and timing of recognition of non-performing assets in accordance with criteria as per IRACP norms; - Measurement of the provision for non-performing assets based on loan exposure, ageing and classification of the loan, realizable value of security; - Appropriate reversal of unrealized income on the NPAs. <p>Further, due to the various COVID-19 pandemic restrictions imposed by the Government / Local Authorities during the period of our audit, audit could not be conducted by physically visiting the premises of certain Branches of the Bank. Accordingly, our audit procedures were required to be modified to carry out the audit remotely.</p> <p>Since the classification of advances, identification of NPAs and creation of provision on advances (including additional provisions arising out of COVID-19 pandemic) and income recognition on advances:</p> <ul style="list-style-type: none"> - Requires proper control mechanism and significant level of estimation by the Bank; - Has significant impact on the overall financial statements of the Bank; - Could not be entirely covered through personal visits/ physical interaction with relevant branch staff as originally planned; <p>we have ascertained this area as a Key Audit Matter.</p>	<ul style="list-style-type: none"> - Performing other procedures including substantive audit procedures covering the identification of NPAs by the Bank. These procedures included: <ol style="list-style-type: none"> i. Considering testing of the exception reports generated from the application systems where the advances have been recorded. ii. Considering the accounts reported by the Bank and other banks as Special Mention Accounts ("SMA") in RBI's central repository of information on large credits (CRILC) to identify stress. iii. Reviewing account statements and other related information of the borrowers selected based on quantitative and qualitative risk factors iv. Reading of minutes of management committee and credit committee meetings and performing inquiries with the credit and risk departments to ascertain if there were indicators of stress or an occurrence of an event of default in a loan account or any product v. Considering audit reports and memorandum of changes issued by statutory branch auditors. vi. Considering Internal Audit, Systems Audit, Credit Audit and Concurrent Audit as per the policies and procedures of the Bank. vii. Considering the RBI Annual Financial Inspection report on the Bank, the bank's response to the observations and other communication with RBI during the year. viii. Examination of advances including stressed advances on a sample basis with respect to compliance with the RBI Master Circulars / Guidelines. <p>For Non- performing advances identified, we, based on factors including stressed sectors and account materiality, tested on a sample basis the asset classification dates, reversal of unrealized interest, value of available security and provisioning as per IRACP norms. We recomputed the provision for NPA after considering the key input factors and compared our measurement outcome to that prepared by management.</p> <p>Wherever physical access to branches was not possible due to restrictions arising from COVID-19 pandemic, we modified our audit procedures to cover review of sample advances based on scanned records/ reports/ documents/ certificates made available to us by the Bank through digital medium, emails and remote access to CBS and other relevant application software over secure network of the Bank. To this extent, the audit process was carried out on the basis of such documents, reports and records made available to us which were relied upon as audit evidence for conducting the audit and reporting for the current period. These audit procedures were supplemented, where relevant, by gathering further evidence through enquiries and discussions with relevant Bank staff using Video Conferencing/ phone calls/ emails and similar communication channels.</p>

Independent Auditor’s Report (Contd...)

Key Audit Matters	How our audit addressed the Key Audit Matters
<p>(ii) Valuation of Investments, Identification of and provisioning for Non-Performing Investments (Schedule 8 read with Note 5.1 of Schedule 17 to the consolidated financial statements)</p> <p>Investments include investments made by the Bank in various Government Securities, Bonds, Debentures, Shares, Security receipts and other approved securities. RBI Circulars and directives, inter-alia, cover valuation of investments, classification of investments, identification of non-performing investments, non-recognition of income and provisioning against non-performing investments.</p> <p>The valuation of each category (type) of the aforesaid securities is to be done as per the method prescribed in circulars and directives issued by the RBI which involves collection of data/information from various sources such as FIMMDA rates, rates quoted on BSE/NSE, financial statements of unlisted companies etc.</p> <p>We identified valuation of investments and identification of NPI as a Key Audit Matter because of the management judgement involved in determining the value of certain investments (Bonds and Debentures, Pass-through certificates) based on applicable Regulatory guidelines and the Bank’s policies, impairment assessment for HTM book based on management judgement, the degree of regulatory focus and the overall significance to the financial results of the Bank.</p>	<p>Our audit approach/procedures towards Investments with reference to the RBI Circulars/directives included the understanding of internal controls and substantive audit procedures in relation to valuation, classification, identification of non-performing investments (NPIs) and provisioning/depreciation related to Investments. In particular -</p> <ul style="list-style-type: none"> - We evaluated and understood the Bank’s internal control system to comply with relevant RBI guidelines regarding valuation, classification, identification of NPIs, reversal of income on NPIs and provisioning/depreciation related to investments; - We assessed and evaluated the process adopted for collection of information from various sources for determining market value of these investments; - For the selected sample of investments in hand, we tested accuracy and compliance with the RBI Master Circulars and directions by re-performing valuation for each category of the security; - We carried out substantive audit procedures to recompute independently the provision to be maintained in accordance with the circulars and directives of the RBI. Accordingly, we selected samples from the investments of each category and tested for NPIs as per the RBI guidelines and recomputed the provision to be maintained and if accrual of income is in accordance with the RBI Circular for those selected sample of NPIs; - We tested the mapping of investments between the Investment application software and the financial statement preparation software to ensure compliance with the presentation and disclosure requirements as per the aforesaid RBI Circular/directions.
<p>(iii) Information Technology (‘IT’) Systems and Controls for financial reporting</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.</p> <p>The Bank uses several systems for its overall financial reporting and there is a large volume of transactions being recorded at multiple locations daily. In addition, there are increasing challenges to protect the integrity of the Bank’s systems and data since cyber security has become a more significant risk in recent periods. Further, the prevailing COVID-19 situation, has caused the required IT applications to be made accessible on a remote basis.</p>	<p>As a part of our audit procedures for review of the Bank’s IT systems and related controls for financial reporting:</p> <ul style="list-style-type: none"> - We tested the design and operating effectiveness of the Bank’s IT access controls over the information systems that are critical to financial reporting, on a sample basis. - We tested IT general controls of the Bank (logical access, changes management and aspects of IT operational controls), on a sample basis. This included testing that requests for access to systems were reviewed and authorized. We inspected requests of changes to systems for approval and authorisation. We considered the control environment relating to various interfaces, configuration and other application layer controls identified as key to our audit.





Independent Auditor's Report (Contd...)

Key Audit Matters	How our audit addressed the Key Audit Matters
<p>Due to the pervasive nature and complexity of the IT environment as well as its importance in relation to accurate and timely financial reporting, we have identified this area as a Key Audit Matter.</p>	<ul style="list-style-type: none"> - In addition to the above, we tested the design and operating effectiveness of certain automated controls that were considered as key internal controls over financial reporting for the Bank. Where deficiencies were identified, we sought explanations regarding compensating controls or performed alternate audit procedures. In addition, we understood where relevant, changes made to the IT landscape during the audit period and tested those changes that had a significant impact on financial reporting.
<p>(iv) Assessment of Provisions and Contingent Liabilities (Refer note 5.13 & 5.20 of Schedule 17 to the consolidated financial statements)</p>	
<p>Assessment of Provisions and Contingent liabilities in respect of certain litigations including Direct and Indirect Taxes, various claims filed by other parties not acknowledged as debt (Schedule 12 to the consolidated financial statements) and various employee benefits schemes (Schedule 5 to the consolidated financial statements) was identified as a significant audit area.</p> <p>There is high level of judgement involved in estimating the level of provisioning required as well as in the disclosure of both Provisions and Contingent Liabilities in respect of tax matters and other legal claims. The Bank's assessment is supported by the facts of matter, their own judgment, past experience, and advice from legal and independent tax consultants wherever considered necessary. Accordingly, unexpected adverse outcomes may significantly impact the Bank's reported profit and state of affairs presented in the Balance Sheet.</p> <p>The valuations of the employee benefit liabilities are calculated with reference to multiple actuarial assumptions and inputs including discount rate, rate of inflation and mortality rates. The valuation of funded assets in respect of the same is also sensitive to changes in the assumptions.</p> <p>We determined the above area as a Key Audit Matter in view of associated uncertainty relating to the outcome of the matters which requires application of judgment in interpretation of law, circumstances of each case and estimates involved.</p>	<p>Our audit approach / procedures involved:</p> <ul style="list-style-type: none"> - Obtaining an understanding of internal controls relevant to the identification of litigations and legal cases to be reported by the Bank; - Understanding the current status of the litigations/tax assessments for the Bank; - Examining recent orders and/or communication received from various tax authorities/ judicial forums and follow up action thereon; - Evaluating the merit of the subject matter under consideration with reference to the grounds presented therein and available independent legal / tax advice including opinion of the Bank's tax consultants; - Review and analysis of evaluation of the contentions of the Bank through discussions, collection of details of the subject matter under consideration, the likely outcome and consequent potential outflows on those issues; and - Testing the design and operating effectiveness of key controls over the completeness and accuracy of the data, the measurement of the fair value of the schemes' assets, understanding the judgements made in determining the assumptions used by management to value the employee liabilities with specific schemes and market practice. - Our audit procedures included an assessment of the assumptions used by the actuary by comparing life expectancy assumptions with relevant mortality tables, benchmarking inflation and discount rates against external market data. We verified the value of plan assets to the statements provided by asset management companies managing the plan assets. <p>Verification of disclosures related to significant litigations, taxation matters and Employee benefits liabilities in the consolidated financial statements.</p>

Independent Auditor's Report (Contd...)

Information other than the consolidated Financial Statements and Auditor's Report Thereon

The Bank's Board of Directors is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the consolidated 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 consolidated 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 consolidated financial statements, our responsibility is to read the other information 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 Bank's annual report, if we conclude that there is a material misstatement of this other information, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the consolidated Financial Statements

The Bank's Board of Directors is responsible for the matters stated in section 134(5) of the Act, with respect to the preparation and presentation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group including its associates in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 in so far as they apply to the Bank and provisions of Section 29 of the Banking Regulation Act, 1949 and circulars and guidelines issued by the Reserve Bank of India ('RBI') from time to time. The respective Board of Directors of the entities included in the Group and of its associates are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Group and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness

of the accounting records, relevant to the preparation and presentation of the 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 the Directors of the Bank, as aforesaid.

In preparing the consolidated financial statements, the respective Board of Directors of the entities included in the Group and of its associates are responsible for assessing the ability of the Group and of its associates to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The respective Board of Directors of the entities included in the Group and of its associates are also responsible for overseeing the financial reporting process of the Group and of its associates.

Auditor's Responsibilities for the audit of the consolidated Financial Statements

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.





Independent Auditor's Report (Contd...)

- 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 system with reference to consolidated 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 consolidated financial statements made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 under 'Other Matters' in this audit report

We communicate with those charged with governance of the Bank 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 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 for the financial year ended March 31, 2021 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

- I. We did not audit the financial statements of 614 Branches included in the consolidated financial statements of the Bank whose financial statements reflect total assets of 84157 crores as at March 31, 2021 and total revenue of Rs.3755 crores for the year ended on that date, as considered in the consolidated financial statements. The financial statements of these branches have been audited by branch auditors whose reports have been furnished to us, and our opinion in so far as it relates to the amounts and disclosures included in respect of these branches, is based solely on the reports of such branch auditors.
- II. The audit of financial statements of two subsidiaries, whose financial statements reflect total assets of Rs. 5424.84 crores as at 31 March 2021, total revenues of Rs. 722.81 crores and total net profits after tax of Rs.60.43 crores for the year ended 31 March 2021 and net cash inflow amounting to Rs. 384.31 crores for the year ended on that date, as considered in the consolidated financial statements have been carried out by one of the joint auditors whose reports have been furnished to us by the Management and our opinion on the Consolidated Financial Statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries, is based solely on the reports of the said joint auditor.

Independent Auditor's Report (Contd...)

- III. The consolidated financial statements also include the Group's share of net profit of Rs. 32.36 crore for the year ended 31 March 2021, 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 associates and our report in terms of subsection (3) of Section 143 of the Act, insofar as it relates to the aforesaid associates is based solely on the report of the other auditors.
- IV. The consolidated financial statements of the Bank for the year ended March 31, 2020 were audited by predecessor auditors whose report dated May 28, 2020 expressed an unmodified opinion on those consolidated financial statements.

Our opinion on the consolidated financial statements and our Report on Other Legal and Regulatory Requirements below is not modified in respect of the above matters and with respect to our reliance on the work done and the reports of the other auditors.

Report on Other Legal and Regulatory Requirements

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 that, 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 by the Bank so far as it appears from our examination of those books and the reports of the other auditors;
- c) The consolidated Balance Sheet, the consolidated Profit and Loss Account, 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 written representations received from the directors as on March 31, 2021 and taken on record by the Board of Directors of the Bank and the reports of the statutory auditors of its subsidiaries and associates none of the directors of the Group companies and its associates is disqualified as on March 31, 2021 from being appointed as a director in terms of Section 164(2) of the Act;
- f) With respect to the adequacy of the internal financial controls over financial reporting of the Bank with reference to the financial statements of the Bank, its subsidiaries and its associates incorporated in India and the operating effectiveness of such controls, refer to our separate Report in "Annexure A" to this report;
- g) In our opinion, being a banking company, the remuneration to its directors during the year ended March 31, 2021 has been paid/provided by the Bank in accordance with the provisions of section 35B (1) of the Banking Regulation Act, 1949, and;

In our opinion and according to the information and explanations given to us and based on the report of the statutory auditors of subsidiaries and associates which were not audited by us, the remuneration paid during the current year by the subsidiary companies and an associate company to their directors is in accordance with the provisions of Section 197 of the Act. The auditors of Ageas Federal Life Insurance Company Limited, (Formerly known as IDBI Federal Life Insurance Company Limited)





Independent Auditor's Report (Contd...)

('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.

h) 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, as amended, in our opinion and to the best of our information and according to the explanations given to us:

- i. The consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group and its associates - Refer Schedule 12 and Note No 1.14 under Schedule 18 to the consolidated financial statements;
- ii. Provision has been made in the consolidated financial statements, as required under the applicable law or accounting standards, for material foreseeable losses,

on long-term contracts including derivative contracts - Refer Note 1.15 under Schedule 18 to the consolidated 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 or its subsidiaries and associates during the year ended 31 March 2021.

For Varma & Varma

Chartered Accountants
FRN: 0045325

R Rajasekharan

Partner
M. No.22703
UDIN:21022703AAAAAG4631

Kochi-19
May 17, 2021

For Borkar & Muzumdar

Chartered Accountants
FRN: 101569W

Devang Vaghani

Partner
M. No. 109386
UDIN: 1109386AAAAEW6536

Mumbai-55
May 17, 2021

Independent Auditor's Report (Contd...)

ANNEXURE A TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE CONSOLIDATED FINANCIAL STATEMENTS OF THE FEDERAL BANK LIMITED

Report on the Internal Financial Controls Over Financial Reporting with reference to consolidated financial statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting with reference to consolidated financial statements of The Federal Bank Limited ('the Bank'), its subsidiary companies and its associates which are companies incorporated in India, as at March 31, 2021 in conjunction with our audit of the consolidated financial statements of the Bank for the year ended on that date.

Management's Responsibility for Internal Financial Controls over Financial Reporting

The Respective Board of Directors of the Bank, its subsidiaries and associates which are companies incorporated in India, are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the respective companies considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to 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.

Auditor's Responsibility

Our responsibility is to express an opinion on the Bank's internal financial controls over financial reporting with reference to the consolidated financial statements based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting ('the Guidance Note') and the Standards on Auditing as specified under section 143 (10) of the Companies Act, 2013 to the extent applicable to an audit of internal financial controls, both applicable to an audit of internal financial controls and both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

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

We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditors of the relevant subsidiaries and associates, 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 Bank's internal financial controls system over financial reporting with reference to consolidated financial statements.

Meaning of Internal Financial Controls Over Financial Reporting

A bank's internal financial control over financial reporting 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 bank's internal financial control over financial reporting 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 bank; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the bank are being made only in accordance with authorizations of management and directors of the bank; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the bank's assets that could have a material effect on the consolidated financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

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





Independent Auditor's Report (Contd...)

reporting with reference to consolidated financial statements to future periods are subject to the risk that the internal financial control over financial reporting 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.

Opinion

In our opinion, the Bank, its subsidiary and its associate companies have, in all material respects, an adequate internal financial controls system over financial reporting with reference to consolidated financial statements and such internal financial controls over financial reporting were operating effectively as at March 31, 2021, based on the internal control over financial reporting with reference to consolidated financial statements criteria established by the respective companies considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India.

Other Matters

1. Our aforesaid report under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting in so far as it relates to its subsidiaries and associates, which are companies

incorporated in India, is based on the corresponding reports of the auditors of such companies.

2. Our aforesaid report in so far as it relates to the operating effectiveness of internal financial controls over financial reporting of 614 branches of the Bank is based on the corresponding reports of the respective branch auditors of those branches of the Bank.

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 Varma & Varma

Chartered Accountants
FRN: 0045325

R Rajasekharan

Partner
M. No.22703
UDIN:21022703AAAAAG4631

Kochi-19
May 17, 2021

For Borkar & Muzumdar

Chartered Accountants
FRN: 101569W

Devang Vaghani

Partner
M. No. 109386
UDIN: 1109386AAAAEW6536

Mumbai-55
May 17, 2021

Consolidated Balance Sheet

as at March 31, 2021

(₹ in Thousand)

	Schedule	As at March 31, 2021	As at March 31, 2020
CAPITAL AND LIABILITIES			
Capital	1	3,992,301	3,985,325
Reserves and surplus	2	161,029,972	144,238,256
Minority interest	2A	2,167,336	1,809,643
Deposits	3	1,721,861,042	1,522,519,073
Borrowings	4	122,706,009	125,277,199
Other Liabilities and provisions	5	37,908,610	35,703,762
TOTAL		2,049,665,270	1,833,533,258
ASSETS			
Cash and balances with Reserve Bank of India	6	76,545,101	61,825,426
Balances with banks and money at call and short notice	7	121,612,248	65,747,653
Investments	8	367,316,744	357,153,933
Advances	9	1,355,144,123	1,248,494,994
Fixed assets	10	5,174,870	5,048,118
Other assets	11	123,872,184	95,263,134
TOTAL		2,049,665,270	1,833,533,258
Contingent liabilities	12	364,270,082	344,638,154
Bills for collection		39,772,224	37,676,464
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
Executive Vice President

 Samir P Rajdev
Company Secretary

 Ashutosh Khajuria
Executive Director & CFO
(DIN: 05154975)

 Shalini Warriar
Executive Director
(DIN: 08257526)

 Venkatraman Venkateswaran
Group President

 Grace Elizabeth Koshie
Chairperson
(DIN: 06765216)

 Shyam Srinivasan
Managing Director & CEO
(DIN: 02274773)

As per our report of even date

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

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

 R Rajasekharan
Partner
Membership No: 22703
Place: Kochi

 Devang Vaghani
Partner
Membership No: 109386
Place: Mumbai

Directors:

 C Balagopal
A P Hota
K Balakrishnan
Siddhartha Sengupta
Manoj Fadnis
Sudarshan Sen
Varsha Vasant Purandare

 (DIN: 00430938)
(DIN: 02593219)
(DIN: 00034031)
(DIN: 08467648)
(DIN: 01087055)
(DIN: 03570051)
(DIN: 05288076)

 Place: Kochi
Date : May 17, 2021




Consolidated Profit and Loss Account

for the year ended March 31, 2021

	Schedule	Year ended March 31, 2021	Year ended March 31, 2020
(₹ in Thousand)			
I. INCOME			
Interest earned	13	143,140,755	135,903,904
Other income	14	19,578,598	18,818,113
TOTAL		162,719,353	154,722,017
II. EXPENDITURE			
Interest expended	15	84,349,581	86,783,092
Operating expenses	16	38,986,638	35,467,071
Provisions and contingencies		22,911,075	16,944,181
TOTAL		146,247,294	139,194,344
III. NET PROFIT FOR THE YEAR		16,472,059	15,527,673
Less: Minority interest		152,363	102,800
Add: Share in Profit of Associates		323,642	377,087
IV. CONSOLIDATED NET PROFIT ATTRIBUTABLE TO GROUP		16,643,338	15,801,960
Balance in Profit and Loss Account brought forward from previous year		27,417,347	22,747,623
Less: Minority interest pertaining to Pre-acquisition profit (Note 2 of Schedule 17)		-	69,757
V. AMOUNT AVAILABLE FOR APPROPRIATION		44,060,685	38,479,826
VI. APPROPRIATIONS			
Transfer to Revenue Reserve		2,295,718	1,474,611
Transfer to Statutory Reserve		3,975,743	3,856,953
Transfer to Capital Reserve		1,534,458	1,358,289
Transfer to Special Reserve		1,209,900	960,000
Transfer to Reserve fund		86,730	58,502
Dividend pertaining to previous year paid during the year (Note 1.1 E of Schedule 18)		-	2,782,229
Tax on dividend (Note 1.1 E of Schedule 18)		-	571,895
Balance carried over to Consolidated Balance Sheet		34,958,136	27,417,347
TOTAL		44,060,685	38,479,826
Earnings per share (Face value of ₹ 2/- each) (₹) (Note 1.6 of Schedule 18)			
Basic		8.34	7.94
Diluted		8.31	7.88
Significant accounting policies	17		
Notes on accounts	18		
Schedules referred to above form an integral part of the Consolidated Profit and Loss account			

For and on behalf of the Board of Directors

Krishnakumar K
Executive Vice President

Samir P Rajdev
Company Secretary

Ashutosh Khajuria
Executive Director & CFO
(DIN: 05154975)

Shalini Warriar
Executive Director
(DIN: 08257526)

Venkatraman Venkateswaran
Group President

Grace Elizabeth Koshie
Chairperson
(DIN: 06765216)

Shyam Srinivasan
Managing Director & CEO
(DIN: 02274773)

As per our report of even date

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

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

R Rajasekharan
Partner
Membership No: 22703
Place: Kochi

Devang Vaghani
Partner
Membership No: 109386
Place: Mumbai

Directors:

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)
Varsha Vasant Purandare (DIN: 05288076)

Place: Kochi
Date: May 17, 2021

Consolidated Cash Flow Statement

for the year ended March 31, 2021

(₹ in Thousand)

	Year ended March 31, 2021	Year ended March 31, 2020
Cash Flow from Operating Activities		
Net Profit before taxes	22,256,900	20,873,947
Adjustments for:		
Depreciation on Group's Property	1,149,202	1,257,270
Depreciation on Investments	147,350	635,001
Amortisation of Premium on Held to Maturity Investments	1,421,890	740,116
Provision for Non Performing Investments	39,038	53,733
Provision / Charge for Non Performing Assets	15,436,804	10,124,852
Provision for Standard Assets	1,592,599	1,118,079
(Profit)/ Loss on sale of fixed assets (net)	(17,989)	(51,724)
(Income) / Loss From Associates	(323,642)	(377,087)
Provision for Restructured assets	(15,966)	(103,017)
Provision for Other Contingencies	97,688	43,545
	41,783,874	34,314,715
Adjustments for working capital changes:-		
(Increase)/ Decrease in Investments [excluding Held to Maturity Investments]	26,435,688	4,022,630
(Increase)/ Decrease in Advances	(122,085,933)	(143,260,641)
(Increase)/ Decrease in Other Assets	(28,001,726)	(26,143,694)
Increase/ (Decrease) in Deposits	199,341,969	173,729,752
Increase/ (Decrease) in Other liabilities and provisions	596,736	1,653,577
	76,286,734	10,001,624
Direct taxes paid	(6,287,094)	(7,010,671)
Net Cash Flow from / (Used in) Operating Activities	111,783,514	37,305,668
Cash Flow from Investing Activities		
Purchase of Fixed Assets	(1,299,307)	(1,544,635)
Proceeds from Sale of Fixed Assets	41,342	90,301
Investment in Subsidiary	586,080	(642,000)
Investment in Associate	7,997	(6,661)
(Increase)/ Decrease in Held to Maturity Investments	(38,477,212)	(44,822,694)
Net Cash generated / (Used in) Investing Activities	(39,141,100)	(46,925,689)





Consolidated Cash Flow Statement (Contd...)

for the year ended March 31, 2021

(₹ in Thousand)

	Year ended March 31, 2021	Year ended March 31, 2020
Cash Flow from Financing Activities		
Proceeds from Issue of Share Capital	6,976	15,229
Proceeds from Share Premium	129,293	825,666
Increase / (Decrease) in Minority Interest	357,693	913,658
Proceeds from Issue of Subordinate Debt	-	3,000,000
Increase/(Decrease) in Borrowings (Excluding Subordinate Debt)	(2,571,190)	35,214,286
Dividend Paid (Including Tax on Dividend)	-	(3,354,125)
Net Cash generated from financing Activities	(2,077,228)	36,614,714
Effect of exchange fluctuation on translation reserve	19,084	43,697
Increase/(Decrease) in Cash and Cash Equivalents	70,584,270	27,038,390
Cash and Cash Equivalents at the beginning of the year	127,573,079	100,534,689
Cash and Cash Equivalents at the end of the year	198,157,349	127,573,079

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 Executive Vice President	Samir P Rajdev Company Secretary	Ashutosh Khajuria Executive Director & CFO (DIN: 05154975)	Shalini Warriar Executive Director (DIN: 08257526)
Venkatraman Venkateswaran Group President		Grace Elizabeth Koshie Chairperson (DIN: 06765216)	Shyam Srinivasan Managing Director & CEO (DIN: 02274773)
As per our report of even date		Directors:	
For Varma & Varma Chartered Accountants Firm's Registration No: 0045325	For Borkar & Muzumdar Chartered Accountants Firm's Registration No: 101569W	C Balagopal A P Hota K Balakrishnan Siddhartha Sengupta Manoj Fadnis Sudarshan Sen Varsha Vasant Purandare	(DIN: 00430938) (DIN: 02593219) (DIN: 00034031) (DIN: 08467648) (DIN: 01087055) (DIN: 03570051) (DIN: 05288076)
R Rajasekharan Partner Membership No: 22703 Place: Kochi	Devang Vaghani Partner Membership No: 109386 Place: Mumbai		
Place: Kochi Date : May 17, 2021			

Schedules Forming Part of The Consolidated Balance Sheet

SCHEDULE 1 - CAPITAL

(₹ in Thousand)

	As at March 31, 2021	As at March 31, 2020
Authorised Capital	8,000,000	5,000,000
4,000,000,000 (Previous year 2,500,000,000) Equity Shares of ₹ 2/- each		
Issued Capital	3,994,991	3,988,015
1,997,495,543 (Previous year 1,994,007,367) Equity Shares of ₹ 2/-each		
Subscribed, Called-up and Paid-up Capital	3,992,305	3,985,329
1,996,152,748 (Previous year 1,992,664,572) Equity Shares of ₹2/-each		
Less: Calls in arrears	4	4
Total	3,992,301	3,985,325

Refer Note 1.1 of Schedule 18

SCHEDULE 2 - RESERVES AND SURPLUS

(₹ in Thousand)

	As at March 31, 2021	As at March 31, 2020
I. Statutory Reserve		
Opening balance	29,833,982	25,977,029
Additions during the year	3,975,744	3,856,953
	33,809,726	29,833,982
II. Capital Reserves		
(a) Revaluation Reserve		
Opening balance	50,091	50,091
Additions during the year	-	-
	50,091	50,091
(b) Others		
Opening balance	5,046,005	3,687,716
Additions during the year*	1,534,458	1,358,289
	6,580,463	5,046,005
	6,630,554	5,096,096
III. Share premium (Also refer Note 1.1 of Schedule 18)		
Opening balance	53,173,992	52,348,326
Additions during the year	130,995	844,463
Deductions during the year	1,702	18,797
	53,303,285	53,173,992
IV. Revenue and Other Reserves		
(a) Revenue Reserve		
Opening Balance	20,170,491	18,695,880
Additions during the year	2,295,718	1,474,611
Deductions during the year	-	-
	22,466,209	20,170,491
(b) Investment Fluctuation Reserve		
Opening Balance	1,897,200	1,897,200
Additions during the year	-	-
	1,897,200	1,897,200





Schedules Forming Part of The Consolidated Balance Sheet (Contd...)

(₹ in Thousand)

	As at March 31, 2021	As at March 31, 2020
(c) Special Reserve (As per section 36(1)(viii) of Income Tax Act, 1961)		
Opening balance	6,039,900	5,079,900
Additions during the year	1,209,900	960,000
	7,249,800	6,039,900
V. Foreign Currency Translation Reserve		
Opening Balance	63,488	19,791
Additions / (Deductions) during the year [Refer Schedule 17 (5.6)]	19,084	43,697
	82,572	63,488
VI. Contingency Reserve		
Opening balance	301,003	301,003
	301,003	301,003
VII. Reserve Fund		
Opening balance	243,993	207,032
Additions during the year	86,730	79,057
Deductions during the year	-	42,096
	330,723	243,993
VIII. General Reserve		
Opening balance	764	853
Additions during the year	-	-
Deductions during the year	-	89
	764	764
IX. Balance in Consolidated Profit and Loss Account	34,958,136	27,417,347
Total	161,029,972	144,238,256

* - 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 ₹ 1,523,907 Thousands (Previous year ₹ 1,336,850 Thousands)
b) Profit on sale of Premises ₹ 10,551 Thousands (Previous year ₹ 21,439 Thousands)

SCHEDULE 2A - MINORITY INTEREST

(₹ in Thousand)

	As at March 31, 2021	As at March 31, 2020
Minority interest at the date on which parent-subsiary relationship came into existence	786,638	786,638
Subsequent increase	1,380,698	1,023,005
Total	2,167,336	1,809,643

Schedules Forming Part of The Consolidated Balance Sheet (Contd...)

SCHEDULE 3 - DEPOSITS

(₹ in Thousand)

	As at March 31, 2021	As at March 31, 2020
A.		
I. Demand Deposits		
i. From Banks	4,583,310	2,201,459
ii. From Others	113,320,966	79,815,030
	117,904,276	82,016,489
II. Savings Bank Deposits	468,522,891	385,344,370
III. Term Deposits		
i. From Banks	26,909,515	31,507,478
ii. From Others	1,108,524,360	1,023,650,736
	1,135,433,875	1,055,158,214
Total	1,721,861,042	1,522,519,073
B.		
I. Deposits of branches in India	1,721,819,135	1,521,643,190
II. Deposits of branches outside India	41,907	875,883
Total	1,721,861,042	1,522,519,073

SCHEDULE 4 - BORROWINGS

(₹ in Thousand)

	As at March 31, 2021	As at March 31, 2020
I. Borrowings in India		
i. Reserve Bank of India	-	19,880,000
ii. Other Banks	35,555,016	20,314,686
iii. Other institutions and agencies	65,459,065	59,347,522
Total	101,014,081	99,542,208
II. Borrowings outside India	21,691,928	25,734,991
Total	122,706,009	125,277,199
a) Secured borrowings included in I and II above	88,526,605	101,338,611
b) Tier II bond included in I(ii) & I(iii) above	3,105,000	3,000,000

SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS

(₹ in Thousand)

	As at March 31, 2021	As at March 31, 2020
I. Bills Payable	4,980,825	1,803,851
II. Inter - office adjustments (Net)	-	-
III. Interest accrued	2,472,313	3,104,896
IV. Others (including provisions)*	30,455,472	30,795,015
Total	37,908,610	35,703,762
<i>*Includes</i>		
(a) General provision for standard assets	7,529,203	6,405,053
(b) Deferred Tax Liability	-	66,209





Schedules Forming Part of The Consolidated Balance Sheet (Contd...)

SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA

(₹ in Thousand)

	As at March 31, 2021	As at March 31, 2020
I. Cash in hand (including foreign currency notes)	16,746,615	13,813,235
II. Balance with Reserve Bank of India		
i. in Current Accounts	59,798,486	48,012,191
ii. in Other Accounts	-	-
Total	76,545,101	61,825,426

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

(₹ in Thousand)

	As at March 31, 2021	As at March 31, 2020
I. In India		
i. Balances with banks		
a. in Current Accounts	6,690,910	8,426,874
b. in Other Deposit Accounts	3,570,372	1,880,000
ii. Money at call and short notice		
a. With Banks	-	2,750,000
b. With other institutions	38,500,000	38,250,000
Total	48,761,282	51,306,874
II. Outside India		
i. in Current Accounts	12,060,693	5,704,165
ii. in Other Deposit Accounts	60,351,613	7,374,644
iii. Money at call and short notice	438,660	1,361,970
Total	72,850,966	14,440,779
Grand Total (I and II)	121,612,248	65,747,653

Schedules Forming Part of The Consolidated Balance Sheet (Contd...)

SCHEDULE 8 - INVESTMENTS

(₹ in Thousand)

	As at March 31, 2021	As at March 31, 2020
I. Investments in India in :		
i. Government Securities ^{##}	327,826,425	317,607,101
ii. Other approved Securities	-	-
iii. Shares [#]	4,418,463	4,342,661
iv. Debentures and Bonds	19,607,863	14,686,492
v. Joint Venture*	2,763,618	2,453,062
vi. Others [@]	11,855,402	17,303,679
Total	366,471,771	356,392,995
II. Investments outside India		
i. Government Securities (including Local authorities)	840,738	756,555
ii. Subsidiaries / Joint Ventures abroad	-	-
iii. Other investments (Shares)	4,235	4,383
Total	844,973	760,938
Grand Total (I and II)	367,316,744	357,153,933
Gross Investments		
In India	370,805,482	360,825,605
Outside India	844,973	760,938
Total	371,650,455	361,586,543
Depreciation/ Provision for Investments		
In India	4,333,711	4,432,610
Outside India	-	-
Total	4,333,711	4,432,610
Net Investments		
In India	366,471,771	356,392,995
Outside India	844,973	760,938
Total	367,316,744	357,153,933

^{##} Securities costing ₹ 91,902,027 Thousands (Previous Year ₹ 70,234,352 Thousands) pledged for avilment of fund transfer facility, clearing facility and margin requirements.

[#] Includes Cost of Investment in Associate amounting to ₹ 226,857 Thousands (Previous Year ₹ 66,239 Thousands) including Goodwill of ₹ 146,709 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 Thousand)

Particulars	As at March 31, 2021	As at March 31, 2020
Pass through certificates (PTCs)	3,319,135	3,179,372
Certificate of Deposits	4,998,672	8,426,645
Commercial Paper	484,080	1,952,494
Venture Capital Funds (VCFs)	1,102,906	963,367
Security Receipts	1,600,621	2,381,801
Mutual Fund	349,988	400,000
Others	-	-
Total	11,855,402	17,303,679





Schedules Forming Part of The Consolidated Balance Sheet (Contd...)

SCHEDULE 9 - ADVANCES

(₹ in Thousand)

	As at March 31, 2021	As at March 31, 2020
A. i. Bills purchased and discounted	48,623,002	50,037,816
ii. Cash credits, overdrafts and loans repayable on demand	551,041,833	554,542,514
iii. Term loans	755,479,288	643,914,664
Total	1,355,144,123	1,248,494,994
B. i. Secured by tangible assets*	1,098,734,868	1,041,671,392
ii. Covered by Bank/Government guarantees #	18,370,850	23,853,476
iii. Unsecured	238,038,405	182,970,126
Total	1,355,144,123	1,248,494,994
C. I. Advances in India		
i. Priority sectors	356,182,092	296,524,927
ii. Public sector	805,144	1,307,504
iii. Banks	9,155,519	3,500,000
iv. Others	971,035,654	923,619,663
Total	1,337,178,409	1,224,952,094
C. II. Advances outside India		
i. Due from Banks	1,526,508	808,103
ii. Due from Others		
a) Bills purchased and discounted	-	-
b) Syndicated Loans	5,657,157	9,326,488
c) Others	10,782,049	13,408,309
Total	17,965,714	23,542,900
Grand Total (C I and C II)	1,355,144,123	1,248,494,994

* Includes Advances against book debts

Includes Advances against Letter of credit issued by banks
(Advances are net of provisions)

Schedules Forming Part of The Consolidated Balance Sheet (Contd...)

SCHEDULE 10 - FIXED ASSETS

(₹ in Thousand)

	As at March 31, 2021	As at March 31, 2020
A. Premises #		
Gross Block		
At the beginning of the year	2,402,232	2,416,139
Additions during the year	39,600	-
Deductions during the year	5,283	13,907
At the end of the year	2,436,549	2,402,232
Depreciation		
As at the beginning of the year	982,845	946,441
Charge for the year	43,492	45,917
Deductions during the year	2,886	9,513
Depreciation to date	1,023,451	982,845
Net Block	1,413,098	1,419,387
B. Other fixed assets		
(including furniture and fixtures)		
Gross Block		
At the beginning of the year	12,232,112	11,825,450
Additions during the year	1,405,023	1,452,041
Deductions during the year	265,449	1,045,379
At the end of the year	13,371,686	12,232,112
Depreciation		
As at the beginning of the year	8,879,497	8,679,340
Charge for the year	1,105,595	1,217,253
Deductions during the year	244,377	1,017,096
Depreciation to date	9,740,715	8,879,497
Net Block	3,630,971	3,352,615
C. Capital Work in progress (Including Capital Advances)	130,801	276,116
Grand Total (A+B+C)	5,174,870	5,048,118

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 ₹ 453,476 Thousands (Previous Year ₹ 464,092 Thousands) with remaining lease period varying from 56 - 68 years





Schedules Forming Part of The Consolidated Balance Sheet (Contd...)

SCHEDULE 11 - OTHER ASSETS

(₹ in Thousand)

	As at March 31, 2021	As at March 31, 2020
I. Inter - office adjustments (net)	-	-
II. Interest accrued	12,777,790	10,849,208
III. Tax paid in advance/tax deducted at source (Net of provision)	11,277,117	10,728,633
IV. Stationery and Stamps	8,600	6,731
V. Non-banking assets acquired in satisfaction of claims*	16,259	24,376
VI. Others†	99,792,418	73,654,186
Total	123,872,184	95,263,134
<i>* - Includes certain Non-Banking assets acquired in satisfaction of claims which are in the process of being transferred in the Bank's name.</i>		
<i>† Includes</i>		
(a) Priority sector shortfall deposits	85,220,770	60,167,801
(b) Deferred Tax Asset (Refer Note 1.7 of Schedule 18)	58,840	-
(c) Security deposits	1,574,871	928,954

SCHEDULE 12 - CONTINGENT LIABILITIES

(₹ in Thousand)

	As at March 31, 2021	As at March 31, 2020
I. Claims against the Bank not acknowledged as debts	17,445,140	14,559,765
II. Liability on account of outstanding forward exchange contracts**	260,669,140	247,702,742
III. Guarantees given on behalf of constituents - in India	67,442,288	65,911,076
IV. Acceptances, endorsements and other obligations	14,349,424	14,105,927
V. Other items for which the Bank is contingently liable@	4,364,090	2,358,644
Total	364,270,082	344,638,154

(Refer Note 1.14 of Schedule 18)

** - Including Derivatives

@ - includes ₹ 2,120,340 Thousands (Previous Year : ₹ 1,773,742 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.

Schedules Forming Part of The Consolidated Profit and Loss Account

SCHEDULE 13 - INTEREST EARNED

(₹ in Thousand)

	Year ended March 31, 2021	Year ended March 31, 2020
I. Interest/discount on advances/bills	113,531,365	110,451,811
II. Income on investments	23,382,858	21,854,988
III. Interest on balances with Reserve Bank of India and other inter-bank funds	3,681,644	1,399,639
IV. Others*	2,544,888	2,197,466
Total	143,140,755	135,903,904

* - Includes interest on Income tax refunds amounting to ₹ 87,514 Thousands (Previous year ₹ 1,878 Thousands) accounted based on Assessment orders received.

SCHEDULE 14 - OTHER INCOME

(₹ in Thousand)

	Year ended March 31, 2021	Year ended March 31, 2020
I. Commission, exchange and brokerage	10,494,554	9,640,542
II. Profit on sale of investments (Net)	6,108,187	6,079,246
III. Profit on revaluation of investments (Net)	-	-
IV. Profit / (Loss) on sale of land, buildings and other assets (Net)	17,989	51,724
V. Profit on foreign exchange/derivative transactions (Net)	1,939,989	2,183,131
VI. Income earned by way of dividends etc. subsidiaries / associates and / or joint ventures.	-	667
VII. Miscellaneous income**	1,017,879	862,803
Total	19,578,598	18,818,113

** - Includes Recoveries in assets written off ₹ 810,108 Thousands (Previous year ₹ 522,418 Thousands)

SCHEDULE 15 - INTEREST EXPENDED

(₹ in Thousand)

	Year ended March 31, 2021	Year ended March 31, 2020
I. Interest on deposits	78,045,404	81,003,652
II. Interest on Reserve Bank of India/Inter bank borrowings	419,646	914,103
III. Others	5,884,531	4,865,337
Total	84,349,581	86,783,092

SCHEDULE 16 - OPERATING EXPENSES

(₹ in Thousand)

	Year ended March 31, 2021	Year ended March 31, 2020
I. Payments to and provisions for employees	21,720,184	18,759,804
II. Rent, taxes and lighting	3,190,459	3,217,217
III. Printing and stationery	259,667	259,878
IV. Advertisement and publicity	96,758	121,258
V. Depreciation on Banks' property	1,149,202	1,257,270
VI. Directors' fees, allowances and expenses	23,851	23,866
VII. Auditors' fees and expenses (including branch auditors' fees and expenses)	85,021	95,594
VIII. Law charges	194,298	208,710
IX. Postage, Telegrams, Telephones etc	819,003	787,675
X. Repairs and maintenance	700,499	760,413
XI. Insurance	1,929,055	1,427,808
XII. Other expenditure#	8,818,641	8,547,578
Total	38,986,638	35,467,071

- Includes expenditure on Corporate Social Responsibility - ₹ 362,802 Thousands (Previous Year: ₹ 433,170 Thousands)





SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021

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/Loss in its associates. The details of subsidiaries 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, 2021	March 31, 2020
Fedbank Financial Services Limited (FFSL)	Subsidiary Company	India	The Federal Bank Limited	74.00 [#]	74.00 [§]
Federal Operations and Services Limited (FOSL)	Subsidiary Company	India	The Federal Bank Limited	100.00	100.00
Ageas 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	19.90 [*]	8.74

[#] During the year ended March 31, 2021, pursuant to Right issue announced by Fedbank Financial Services Limited, the bank has purchased 12,210,000 number of equity shares of face value ₹ 10.00 each at ₹ 48.00 per share

[§] During the year ended March 31, 2020, 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 to which the Bank's shareholding in Fedbank Financial Services Limited decreased from 82.59% in FY 2018-19 to 74.00% in FY 2019-20. Further, the company issued 16,666,668 number of equity shares to all existing shareholders in their holding proportion at ₹ 48/- per share.

^{*} During the year ended March 31, 2021, the bank has made additional investment in Equirus Capital Private Limited by purchasing 864,506 number of Equity shares and 642,167 number of compulsorily convertible preference shares (face value ₹ 5 each) at ₹ 9.25 per share pursuant to right issue announced by the Company. Subsequently, all compulsorily convertible preference shares including 7,022,000 number of shares held as on March 31, 2020 was converted into equity shares. Thus, the equity investment in Equirus capital Private Limited increased from 8.74% to 19.90%.

- (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, 2021.
- (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 companies 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 companies has been added to the cost of respective investment.

SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD...)

- (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 subsidiaries and associates 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 subsidiaries (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 as otherwise stated. The accounting policies adopted in the preparation of financial statements are consistent with those followed in the previous year.

4. USE OF ESTIMATES

The preparation of the consolidated financial statements in conformity with 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 Investments

*The Bank
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 of investments is accounted as per RBI Guidelines.

Acquisition Cost

In determining the acquisition cost of the Investment:

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

Valuation

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

- a) Held for Trading /Available for Sale – Investments classified under the AFS and HFT categories are marked-to-market. The market/fair value of quoted investments included in the ‘AFS’ and ‘HFT’ categories is the Market Price of the Scrip as available from the trades/ quotes on the stock exchanges or prices declared by Primary Dealers Association of India (‘PDAI’) jointly with Fixed Income Money Market and Derivative Associations of India (‘FIMMDA’) / Financial





SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD...)

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. The depreciation on securities acquired on conversion of outstanding loan is provided in accordance with RBI guidelines. 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 is not available, the shares are valued at Re. 1 per company based on the stipulated norms as per RBI circular.

- Units of Venture Capital Funds (VCF) held under AFS category where current quotations are not available are marked to market based on the Net Asset Value (NAV) shown by VCF as per the latest audited financials of the fund. In case the 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.
 - Investments in Security Receipts are valued as per the latest NAV obtained from issuing Asset Reconstruction Companies, subject to floor provision requirements as per RBI guidelines.
- f) Investments in subsidiaries/associates as per RBI guidelines are 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

SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD...)

cost on repo transactions is accounted as interest expense and revenue on reverse repo transactions is accounted as interest income.

Short Sales

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

The Subsidiaries

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.

5.2 Advances

The Bank

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, 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 makes additional provisions as per RBI's guidelines on 'Prudential Framework on Resolution of Stressed Assets' dated June 7, 2019 on accounts in default and with aggregate exposure above the threshold limits as laid down in the said framework where the resolution plan is not implemented within the specified timeline.

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

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





SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD...)

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

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 Securitisation and transfer of assets

The Bank

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

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

Fedbank Financial Services Limited

The Company enters into securitisation / assignment transactions and assets are de-recognised upon sale only if the Company surrenders the control over the contractual rights that comprises in the financial assets i.e. when they meet true sale criteria. The Company has adopted the accounting policy for securitisation / assignment transactions, as notified by RBI in its circular "Revision to the guidelines on transfer of assets through Securitisation and Direct Assignment of cash flows" issued on August 21, 2012. Gains arising out of securitisation of assets are recognised over the tenure of the securities issued by Special Purpose Vehicle (SPV), losses if any are recognised upfront. The amount of cash profit on assignment transaction is held under "Cash Profit on loan transfer transactions pending recognition" maintained on an individual transaction basis. The amortisation of cash profit arising out of loan assignment transaction is done at every reporting period

end as prescribed by RBI in the afore mentioned circular. The unamortised portion is reflected as "Other long-term liabilities" / "Other current liabilities".

5.4 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.

5.5 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'.

5.6 Transactions involving foreign exchange

The Bank

In respect of domestic operations:

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

In respect of Non-Integral Foreign Branches:

- Income and expenditure items are translated at quarterly average closing rates.
- Both Monetary and Non- Monetary foreign currency Assets and liabilities are translated at closing exchange rates notified by FEDAI at the balance sheet date.
- The resulting profit/loss arising from exchange differences are accumulated in Foreign Currency Translation Reserve until remittance or the disposal

SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD...)

of the net investment in the non-integral foreign operations in accordance with AS-11. Any realised gains or losses on such disposal are recognised in the Profit and Loss Account.

Valuation of Foreign Exchange Spot and Forward Contracts

- Foreign exchange spot and forward Contracts (Other than the forwards / swaps marked under Funding category) outstanding as at the Balance Sheet date are revalued at the closing Spot and Forward Rates respectively as notified by FEDAI and at interpolated / extrapolated rates for contracts of interim maturities.
- For valuation of contracts having longer maturities i.e. greater than one year, the forward points (for rates/ tenures not published by FEDAI) are obtained from Reuters for valuation of the FX Deals.
- As per directions of FEDAI, the profit or loss is considered on present value basis by discounting the forward profit or loss till the valuation date using discounting yields. The resulting profit or loss on valuation is recognized in the Profit and Loss Account.

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

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

5.7 Derivative transactions

The Bank

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.

Fedbank Financial Services Limited

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 below 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.

Hedge accounting

The company uses Cross Currency Interest Rate Swaps, Foreign Currency Forward contracts etc. to hedge its risk associated with foreign currency fluctuation relating to highly probable forecast transactions. The company designates such forward contracts/Interest rate swap in a cash flow hedging relationship by applying the hedge accounting principles set out in "Guidance Note on Accounting for Derivative contracts" issued by ICAI. These forward contracts/interest rate swaps are stated at fair value at each reporting date. Changes in the fair value of these forward contracts that are designated and effective as hedges of future cash flows are recognized directly in Cash Flow Hedge Reserve under Reserves and surplus and ineffective portion is recognised immediately in the statement of Profit & Loss. Amounts accumulated in the Cash flow hedge reserve are reclassified to the statement of Profit & Loss in the same periods during which the forecasted transaction affects Profit & Loss. Hedge accounting is discontinued when hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for Hedge accounting. For forecasted transactions, any cumulative gain or loss on the hedging instrument recognised in cash flow hedge reserve is retained until the forecasted transaction occurred. If the forecasted transaction is no longer expected to occur, the net cumulative gain or loss recognised in cash flow hedge reserve is immediately transferred to statement of Profit & Loss.

5.8 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.





SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD...)

- The recoveries made from NPA accounts are appropriated based on “first in first out” policy, i.e. the earliest entry shall be realized first. If different entries are made in the account on the same day, the realization shall be in the order of charges, interest, and principal.
 - 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.
- 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 and when services are rendered, as per the terms of Master Service Agreement entered into by the company.

5.9 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 expenditure like freight, duties, taxes and incidental expenses related to the acquisition and installation of the asset. Taxes like GST paid on Fixed assets wherever eligible are availed as ITC as per GST rules. Subsequent expenditure incurred on assets put to use is capitalised only when it increases the future economic benefit / functioning capability from / of such assets.

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

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

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

The management believes that the useful life of assets assessed by the Bank, pursuant to Schedule II to the Companies Act, 2013, taking into account changes in environment, changes in technology, the utility and efficacy

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

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of the asset in use, fairly reflects its estimate of useful lives of the fixed assets. The estimated useful lives of key fixed assets are given below:

Asset	Estimated useful life as assessed by the Bank
Leasehold Land	Over the lease period
Owned premises	60 Years
Motor Vehicles	8 Years
Computer hardware	3 Years
Modem, scanner, routers, switches etc.	3 Years
ATM / CDM / Recyclers etc.	5 Years
Electric equipment and installations	10 Years
Furniture and fixtures	10 Years
Software / Firewall etc.	3 / 5 Years
Servers/Network Equipment	6 Years
Currency Sorting Machines	5 Years
Office equipments	5 Years

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

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

Fedbank Financial Services Limited

- 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 a 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

5.10 Impairment of Assets

Group

The Group 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.

5.11 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.

5.12 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 Profit and Loss Account as per the lease terms.

5.13 Retirement and other employee benefits

The Bank

a) Provident Fund

Employees covered under provident fund scheme are entitled for retirement benefit in the form of provident fund, which is a defined contribution plan. Aggregate contributions along with interest thereon are paid on retirement, death, incapacitation, or termination of employment. Both the employee and the Bank contribute at specific rates of the salary to the provident fund account maintained with the Federal Bank Employees Provident Fund. The contribution made by the bank to The Federal Bank





SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD...)

(Employees') Provident Fund Trust, administered by the trustees, is charged to the Profit and Loss account.

b) Pension Fund

Employees covered under pension scheme are entitled to get pension benefits, which is a defined benefit plan. The Bank contributes at specific rates of the salary to the Federal Bank (Employees') Pension Fund Trust set up by the Bank and administered by the Trustees. Additional amount being the liability shortfall as ascertained by an independent actuary, contributed towards The Federal Bank Employees' Pension Fund, is determined on actuarial basis on projected unit credit method as on the Balance Sheet dates. The contribution made by the bank to Federal Bank Employees' Pension Fund is charged to the Profit and Loss account.

c) Gratuity

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

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')

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

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

SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD...)

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.

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.

5.14 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 and such costs are recognized in the Profit and Loss account.

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.

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

5.16 Corporate Social Responsibility

Group

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

5.17 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 except where the results are anti-dilutive.





SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD...)

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.

Fedbank Financial Services Limited

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 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.

Further in the case of Fedbank Financial Services Limited-

- Secured Loans are classified/provided for, as per the management's best estimates, subject to the minimum provision required as per Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016.
- Other loans are classified/provided for, as per the management's best estimates, subject to the minimum provision required as per Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016.
- Company follows a write back policy of provisions which are carried forward for more than 15 months, excluding those pertaining to holding company, employee benefits or any kind of provision which is in dispute with regulatory authority.

SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD...)**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 Segment information

The disclosure relating to segment information is in accordance with AS-17, Segment Reporting and as per guidelines issued by RBI.

5.23 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. The same is recognised in the year of actual payout post approval of shareholders. However, the Group reckons proposed dividend in determining capital funds in computing the capital adequacy ratio.

5.24 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).





SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021

Amounts in notes forming part of the Consolidated Financial Statements for the year ended March 31, 2021 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, 2021, the Bank has allotted 3,488,176 equity shares consequent to exercise of ESOS, which resulted in an increase of ₹ 0.70 Crore in Share Capital and ₹ 13.10 Crore in Share premium account.

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.

B. Subscribed and paid up capital includes:

- (i) 16,590 shares of ₹ 2/- each (Previous Year 16,590 shares of ₹ 2/- each) issued for consideration other than cash.
- (ii) 29,232,891 underlying equity shares of ₹ 2/- each (Previous Year 31,802,641 equity shares of ₹ 2/- each) held by custodian on behalf of holders of Global Depository Receipts (GDRs).

C. The following allotments are kept pending following orders from various courts

- (i) Allotment of 6,530 shares of ₹ 2/- each (Previous year 6,530 shares of ₹ 2/- each) pertaining to the Right issue of 1993 issued at premium of ₹ 5/- per share
- (ii) 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
- (iii) 1,074,165 equity shares of ₹ 2/- each (Previous year 1,074,165 shares of ₹ 2/- per share), at a premium of ₹ 48/- per share pertaining to Rights issue of 2007

Issue of certificates/credit in demat account in respect of the following Bonus issues are kept in abeyance consequent to injunction orders from various courts.

- a) 406,670 shares of ₹ 2/- each (Previous year 407,670 shares of ₹ 2/- each) out of the Bonus issue of 2004 and
- b) 612,005 bonus shares of ₹ 2/- each (Previous year 612,005 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, 2021	March 31, 2020
Outstanding at the beginning of the year	16,057,341	24,147,513
Surrendered during the year	-	-
Granted during the year	-	-
Exercised during the year	3,422,806	7,123,602
Forfeited/lapsed during the year	3,438,342	966,570
Outstanding at the end of the year	9,196,193	16,057,341
Options exercisable	9,171,193	15,897,341

SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD...)

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, 2021	March 31, 2020
Outstanding at the beginning of the year	77,227,910	50,336,281
Additions from the previous year	2,250	-
Surrendered during the year	-	-
Granted during the year	16,884,159	30,522,736
Exercised during the year	65,370	489,267
Forfeited/lapsed during the year	19,121,983	3,141,840
Outstanding at the end of the year	74,926,966	77,227,910
Options exercisable	28,949,455	28,840,450

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 ₹ 30.56 Crore (Previous Year: ₹ 56.49 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 ₹ 7.82 and ₹ 7.80 (Previous Year: ₹ 7.47 and ₹ 7.42) 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





SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD...)

shares of the Company, in line with the guidelines of SEBI. Pursuant thereto, the Compensation Committee of the Company granted the following options:

	(Number of Options)	
	March 31, 2021	March 31, 2020
Outstanding at the beginning of the year	5,511,351	-
Surrendered during the year	-	-
Granted during the year	2,700,000	5,571,351
Exercised during the year	12,000	-
Forfeited/lapsed during the year	48,000	60,000
Outstanding at the end of the year	8,151,351	5,511,351
Options exercisable	655,000	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 ₹ 2.54 Crore (Previous Year: ₹ 1.31 Crore). The modified basic and diluted earnings per share for the year, had the Company followed Fair Value Method of accounting for ESOS compensation cost would be ₹ 1.93 and ₹ 1.92 (Previous Year: ₹ 1.64 and ₹ 1.64) 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 ₹ 32.44 Crore (Previous Year: ₹ 57.46 Crore). The modified basic and diluted earnings per share for the year, had the Group followed Fair Value Method of accounting for ESOS compensation cost would be ₹ 8.18 and ₹ 8.16 (Previous Year: ₹ 7.66 and ₹ 7.61) respectively.

E. Proposed Dividend and Tax on Proposed Dividend

The Reserve Bank of India, vide its circular DOR.ACC.REC.7/21.02.067/2021-22 dated April 22, 2021 reviewed the dividend declaration norms for the year ended March 31, 2021 and permitted Banks to declare dividend subject to 50% of the regulatorily permissible dividend payout ratio. The Board of Directors have recommended a dividend of 35% i.e. ₹ 0.70/- per Equity Share on face value of ₹ 2/- each for the year 2020-21 subject to the approval of the members at the ensuing Annual General Meeting. In terms of Accounting Standard (AS) 4 "Contingencies and Events occurring after the Balance sheet date" the Bank has not appropriated proposed dividend aggregating to ₹ 139.73 Crore from the Profit and loss account for the year ended March 31, 2021. However, the effect of the proposed dividend has been reckoned in determining capital funds in the computation of Capital adequacy ratio as on March 31, 2021.

As per the Income-tax Act, 1961, as amended by the Finance Act, 2020, dividends paid or distributed by a company on or after 1st April 2020 shall be taxable in the hands of the shareholders. The Company shall, therefore, be required to deduct tax at source at the time of making the payment of the dividend, if approved, at the Annual General Meeting (AGM) of the Company, at the applicable rate. Accordingly, there is no amount is required to be appropriated towards tax on dividend.

In respect of the year ended March 31, 2020 the board of directors had not recommended any dividend in view of the direction from the RBI vide its circular dated April 17, 2020 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.

SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD...)

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 Trust. The Bank has no obligation other than the monthly contribution.

New Pension Scheme

As per the industry level settlement dated April 27, 2010, a Defined Contributory Pension Scheme (DCPS) in line with the New Pension Scheme (introduced for employees of Central Government) was implemented and employees who are covered under New Pension Scheme are not eligible for the existing pension scheme. 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 covered under New Pension Scheme.

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.

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 ₹ 7.37 Crore (Previous year: ₹ 5.26 Crore) for provident fund contributions, ₹ 0.64 Crore (Previous Year ₹ 0.48 Crore) for Employee State Insurance Scheme Contributions and ₹ 45.79 Crore (Previous year: ₹ 36.39 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.

Federal Bank Financial Services Limited

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.





SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD...)

Federal Operations and Services Limited

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 the basis of actuarial valuation under projected unit credit method at the Balance Sheet date. Actuarial gains and losses are recognised in full in the Statement of Profit and Loss 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. Liabilities with regard to the pension plan are determined by actuarial valuation as on the Balance Sheet date, based upon which, the Bank contributes all the ascertained liabilities to the Federal Bank (Employees') Pension Fund Trust (the "Trust"). Trustees administer contributions made to the Trust and contributions are invested in specific investments as permitted by law.

The following table as furnished by Actuary sets out the funded status of gratuity / pension plan and the amount recognized in the Group's financial statements as at March 31, 2021.

i) Change in benefit obligations

(₹ in Crore)

Particulars	Gratuity Plan						Pension Plan	
	FBL		FFSL		FOSL		FBL	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
Projected benefit obligation, beginning of the year	374.63	329.19	1.81	1.07	0.06	*	1,197.98	983.39
Current Service Cost	37.79	20.39	0.99	0.59	0.11	0.06	224.60	168.92
Interest cost	24.22	21.19	0.10	0.07	*	*	70.22	59.17
Actuarial (gain)/ loss	83.38	43.54	(0.30)	0.19	(0.01)	*	330.11	223.26
Benefits paid	(52.21)	(39.68)	(0.11)	(0.11)	-	-	(336.63)	(236.76)
Projected benefit obligation, end of the year	467.81	374.63	2.49	1.81	0.16	0.06	1,486.28	1,197.98

* denotes figures less than ₹ 1 lakh

ii) Change in plan assets

(₹ in Crore)

Particulars	Gratuity Plan				Pension Plan	
	FBL		FFSL		FBL	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
Plan assets at beginning of the year at fair value	369.30	334.23	1.49	1.10	1,129.93	978.09
Expected return on plan assets	22.20	24.53	0.10	0.09	80.68	73.26
Actuarial gain/(loss)	2.29	0.38	0.15	(0.01)	9.83	2.85
Employer's Contributions	127.91	49.84	0.69	0.41	610.90	312.49
Benefits paid	(52.21)	(39.68)	(0.11)	(0.10)	(336.63)	(236.76)
Plan assets at end of the year, at fair value	469.49	369.30	2.33	1.49	1,494.71	1,129.93

SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD...)
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, 2021	March 31, 2020	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
Fair value of plan assets at the end of the year	469.49	369.30	2.33	1.49	-	-	1,494.71	1,129.93
Present value of the defined benefit obligations at the end of the year	467.81	374.63	2.49	1.81	0.16	0.06	1,486.28	1,197.98
Liability/ (Asset) recognized in the Consolidated Balance Sheet	(1.68)	5.33	0.17	0.31	0.16	0.06	(8.43)	68.05

iv) Gratuity / Pension cost for the year ended March 31, 2021 (₹ in Crore)

Particulars	Gratuity Plan						Pension Plan	
	FBL		FFSL		FOSL		FBL	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
Current Service cost	37.79	20.39	0.99	0.59	0.11	0.06	224.60	168.92
Interest cost	24.22	21.19	0.10	(0.02)	*	*	70.22	59.17
Expected return on plan assets	(22.20)	(24.53)	(0.10)	0.01	-	-	(80.68)	(73.26)
Actuarial (gain)/loss	81.09	43.15	(0.46)	0.19	(0.01)	*	320.28	220.41
Net Cost	120.90	60.20	0.53	0.77	0.10	0.06	534.42	375.24
Net Cost Debit to Consolidated Profit and Loss Account	120.90	60.20	0.53	0.77	0.10	0.06	534.42	375.24
Actual return on plan assets [#]	24.49	24.91	-	-	-	-	90.52	76.11

* denotes figures less than ₹ 1 lakh

[#]Figures taken from Audited Financial statements of respective trusts.

v) Investment details of plan Assets* (₹ in Crore)

Particulars	Gratuity Plan		Pension Plan	
	FBL		FBL	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
Central and state Government bonds	-	-	-	-
Other debt securities	-	-	5.00	7.99
Balance in Saving bank account with the Bank	0.01	2.42	0.01	4.14
Net current assets	-	0.01	0.32	0.53
Balance with LIC/ABSL [#]	469.48	366.87	1,489.38	1,117.27
Total	469.49	369.30	1,494.71	1,129.93

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

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





SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD...)

vi) Experience adjustments

a) Gratuity Plan

FBL

(₹ in Crore)

Particulars	March 31, 2021	March 31, 2020	March 31, 2019	March 31, 2018	March 31, 2017	March 31, 2016
Defined Benefit Obligations	467.81	374.63	329.19	311.55	260.48	246.09
Plan Assets	469.49	369.30	334.23	265.75	261.54	225.66
Surplus/[Deficit]	1.68	(5.33)	5.04	(45.80)	1.06	(20.43)
Experience adjustments on Plan Liabilities [Gain/(Loss)]	(89.21)	(10.09)	(6.56)	(7.08)	2.18	(46.00)
Experience Adjustments on Plan Assets [Gain/(Loss)]	7.20	3.29	0.77	1.97	(0.42)	(1.97)

FFSL

(₹ in Crore)

Particulars	March 31, 2021	March 31, 2020	March 31, 2019	March 31, 2018	March 31, 2017	March 31, 2016
Defined Benefit obligations	2.49	1.81	1.07	0.64	0.46	0.19
Plan Assets	2.33	1.49	1.10	Nil	Nil	Nil
Surplus/[Deficit]	(0.16)	(0.31)	0.03	(0.64)	(0.46)	(0.19)
Experience adjustments on Plan Liabilities [Gain/(Loss)]	0.29	(0.07)	0.04	0.05	0.03	0.10
Experience adjustments on Plan Assets [Gain/(Loss)]	0.15	(0.01)	0.01	NA	NA	NA

NA – Not Applicable.

b) Pension Plan

FBL

(₹ in Crore)

Particulars	March 31, 2021	March 31, 2020	March 31, 2019	March 31, 2018	March 31, 2017	March 31, 2016
Defined Benefit Obligations	1,486.28	1,197.98	983.39	899.64	737.38	637.50
Plan Assets	1,494.71	1,129.93	978.09	893.06	746.33	578.27
Surplus/[Deficit]	8.43	(68.05)	(5.30)	(6.58)	8.95	(59.23)
Experience adjustments on Plan Liabilities [Gain/(Loss)]	(327.78)	(95.10)	(39.39)	(33.27)	93.67	(142.49)
Experience adjustments on Plan Assets [Gain/(Loss)]	13.79	7.54	(3.14)	9.60	6.66	0.18

vii) Assumptions

Particulars	Gratuity Plan						Pension Plan	
	FBL		FFSL		FOSL		FBL	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
Discount rate	6.95%	6.85%	5.60%	5.59%	6.76%	6.71%	6.82%	6.84%
Annuity rate per Rupee	-	-	-	-	-	-	150.83000	134.98313
Salary escalation rate	5.00%	5.00%	6.50%	6.50%	5.00%	5.00%	5.00%	5.00%
Estimated rate of return on plan assets	6.01%	7.34%	-	-	-	-	7.14%	7.49%
Attrition Rate	2.00%	2.00%	Not Available	Not Available	-	-	1.00%	1.00%
Mortality Table	IALM 2006-08 Ultimate	IALM 2006-08 Ultimate	IALM 2012-14 Ultimate	IALM 2006-08 Ultimate	IALM 2012-14 Ultimate	IALM 2006-08 Ultimate	IALM 2006-08 Ultimate	IALM 2006-08 Ultimate

SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD...)

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

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

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

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

(C) Leave Encashment/ Sick Leave / Leave Travel Concession / Unavailed Casual Leave
The Bank

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

A sum of ₹ 55.69 Crore has been provided towards the above liabilities in accordance with AS 15 based on actuarial valuation. (Previous Year: ₹ 25.55 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.

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, 2021		March 31, 2020	
	FBL	FFSL	FBL	FFSL
Privilege leave	219.59	2.36	168.29	1.20
Sick leave	22.12	-	18.25	-
Leave Travel Concession	21.26	-	20.43	-
Casual Leave	1.23	-	1.54	-
Total actuarial liability	264.20	2.36	208.51	1.20
Assumptions				
Discount rate	6.95%	5.60%	6.85%	5.90%
Salary escalation rate	5.00%	6.50%	5.00%	6.50%
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.





SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD...)

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 Securities and corporate debt instruments, equity and mutual funds, derivatives, and foreign exchange operations on proprietary account and for customers.

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

Corporate/Wholesale Banking:

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

Revenue of this segment consists of interest earned 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 utilized and other expenses allocated as per the methodology approved by the board of the bank. Provisions allocated to the segment includes the loan loss provision and standard asset provision created for the portfolio under the segment.

Retail banking:

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

Revenue of this segment consists of interest earned on loans made to such customers and charges /fees carried from other banking services to them including para-banking operations. The principal expenses of the segment consist of interest expenses on funds utilized and other expenses allocated as per the methodology approved by the board of the bank. Provisions allocated to the segment includes the loan loss provision and standard asset provision created for the portfolio under the segment.

Other Banking Operations

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

Unallocated

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

SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD...)

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

March 31, 2021					(₹ in Crore)
Business Segments	Treasury	Corporate/ Wholesale Banking	Retail Banking	Other Banking Operations	Total
Revenue	2,731.35	4,519.07	9,019.08	-	16,269.50
Result (Net of provisions)	722.26	215.47	1,268.39	-	2,206.12
Unallocated Income / (expense)					2.44
Operating profit (PBT)					2,208.56
Income taxes					(561.36)
Share in Profit of associates					32.37
Minority Interest					(15.24)
Extraordinary profit/loss					-
Net Profit					1,664.33
OTHER INFORMATION					
Segment Assets	44,796.57	70,839.59	82,825.63	-	198,461.79
Unallocated assets					6,504.74
Total assets					204,966.53
Segment liabilities	14,032.76	16,099.60	156,117.03	-	186,249.39
Unallocated liabilities					1,998.18
Total liabilities					188,247.57
March 31, 2020					(₹ in Crore)
Business Segments	Treasury	Corporate/ Wholesale Banking	Retail Banking	Other Banking Operations	Total
Revenue	2,237.96	4,866.14	8,368.10	-	15,472.20
Result (Net of provisions)	384.36	184.21	1,495.76	-	2,064.33
Unallocated Income / (expense)					(4.36)
Operating profit (PBT)					2,059.97
Income taxes					(507.20)
Share in Profit of associates					37.71
Minority Interest					(10.28)
Extraordinary profit/loss					-
Net Profit					1,580.20
OTHER INFORMATION					
Segment Assets	37,654.64	69,975.31	68,329.86	-	175,959.81
Unallocated assets					7,393.52
Total assets					183,353.33
Segment liabilities	16,261.74	12,911.43	136,495.98	-	165,669.15
Unallocated liabilities					2,680.86
Total liabilities					168,350.01

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.





SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD...)

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.

Note: Pursuant to Board approved policy on preparation of segment information, the Bank, with effect from quarter ended June 30, 2020, has revised the basis of preparation of segment information on a direct identification basis with the aid of Internal Transfer pricing mechanism for more appropriate presentation of the segment results. Accordingly, figures for the previous year have been regrouped / reclassified to conform to current period's classification. The change in segment information has no impact on the overall Revenue, Results, and Capital employed of the bank for the year ended March 31, 2021 or the previous year.

1.4 Related Party Disclosures (AS 18)

a) Details of Related Parties:

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

Key Management Personnel

Name of the Key Management Personnel	Relatives of the Key Management Personnel
Mr. Shyam Srinivasan, Managing Director & CEO	<ul style="list-style-type: none"> ▪ Mr. T S Srinivasan ▪ Ms. Kamala Srinivasan ▪ Ms. Maya Shyam ▪ Ms. Meena Lochani ▪ Ms. Rohini
Mr. Ashutosh Khajuria, Executive Director & CFO	<ul style="list-style-type: none"> ▪ Ms. Sunita Khajuria ▪ Ms. Vasundhara Khajuria ▪ Ms. Yashodhara Khajuria
Ms. Shalini Warriar, Executive Director & COO	<ul style="list-style-type: none"> ▪ Ms. Parvathi Warriar ▪ Ms. Asha Warriar

b) Transactions with related parties

For the year ended March 31, 2021

(₹ in Crore)

Items/Related Party	Associates	Key Management Personnel	Relatives of KMP	Total
Deposits [#]	17.17 (40.27)	3.60 (3.99)	1.41 (1.41)	22.18 (45.67)
Advances [#]	5.39 (28.78)	0.25 (0.28)	- -	5.64 (29.06)
Investments in Shares [#]	229.60 (229.60)	- -	- -	229.60 (229.60)
Interest paid	0.55	0.14	0.07	0.76
Interest received	0.23	0.01	-	0.24
Income from Services Rendered to	46.95	-	-	46.95
Receivable from	8.30	-	-	8.30

SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD...)

Items/Related Party	Associates	Key Management Personnel	Relatives of KMP	Total
Remuneration paid	-	4.56	-	4.56
Share capital received on exercise of ESOS	-	1.22	-	1.22
No. of Options granted under ESOS (in numbers)	-	-	-	-
No. of Options outstanding under ESOS (in numbers)	-	3,310,680	-	3,310,680

- Represents outstanding as on March 31, 2021

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, 2020

(₹ in Crore)

Items/Related Party	Associates	Key Management Personnel	Relatives of KMP	Total
Deposits#	20.80 (26.06)	3.08 (3.08)	1.03 (1.05)	24.91 (30.19)
Advances#	-	0.28 (0.53)	-	0.28 (0.53)
Investments#	228.21 (228.21)	-	-	228.21 (228.21)
Interest paid	0.49	0.05	0.04	0.58
Interest received	-	0.02	-	0.02
Income from Services Rendered to	43.93	-	-	43.93
Receivable from	9.13	-	-	9.13
Remuneration paid	-	4.53	-	4.53
Dividend Received	30.57	-	-	30.57
Dividend Paid	-	1.18	-	1.18
Share capital received on exercise of ESOS	-	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.





SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD...)

The significant transactions between the Group and the related parties during the year ended March 31, 2021 and March 31, 2020 are given below. A specified related party transaction is disclosed as a significant related party transaction wherever it exceeds 10% of the aggregate value of all related party transactions in that category:

(₹ in Crore)			
Nature of Transaction	Name of the Related party	March 31, 2021	March 31, 2020
Deposits	Equirus Capital Private Limited	17.15	*
	Mr. Shyam Srinivasan	2.61	1.98
Advances	Equirus Capital Private Limited	5.39	-
Investments in Shares	Ageas Federal Life Insurance Company Limited	208.00	208.00
Interest paid	Ageas Federal Life Insurance Company Limited	0.55	0.48
	Mr. Shyam Srinivasan	0.09	0.01
Interest received	Equirus Capital Private Limited	0.23	-
Income from Services Rendered to	Ageas Federal Life Insurance Company Limited	46.94	43.93
Receivable from	Ageas Federal Life Insurance Company Limited	8.30	9.13
Remuneration paid	Mr. Shyam Srinivasan	2.31	2.27
	Mr. Ashutosh Khajuria	1.17	1.20
	Ms. Shalini Warriar	1.09	1.06
Share capital received on exercise of ESOS	Mr. Ashutosh Khajuria	1.22	0.47
No. of Options outstanding under ESOS (in numbers)	Mr. Ashutosh Khajuria	847,500	1,400,000
No. of Options outstanding under ESOS (in numbers)	Ms. Shalini Warriar	2,142,500	2,400,000

* denotes figures less than ₹ 1 lakh

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 ₹ 162.49 Crore (Previous year: ₹ 164.88 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 provides for an increase in lease payment by 5% for every one year.

(₹ in Crore)		
Particulars	March 31, 2021	March 31, 2020
Future minimum lease payments:		
- Up to one year	4.62	5.51
- More than one year and upto five years	11.07	15.06
- More than five years	-	-
Lease payments recognised in the Statement of Profit and Loss with respect to above mentioned operating lease arrangement	4.42	3.60

SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD...)

In addition, all other operating lease agreements entered into by the Company are cancellable in nature. Accordingly, the lease rental payments for taken on an operating lease ₹ 17.66 Crore (Previous Year ₹11.99 Crore) have been recognised as "Rent Paid" in the Statement of Profit and Loss.

Federal Operations and services Limited

The company has taken premises under rental arrangements, which are in the nature of cancellable operating leases except for rent of 2nd floor office in Visakhapatnam, which has a lock-in period of 3 years.

Future minimum lease payable under non-cancellable operating leases are as follows:

(₹ in Crore)

Particulars	March 31, 2021	March 31, 2020
Future minimum lease payments:		
- Up to one year	0.56	0.72
- More than one year and upto five years	-	0.56
- More than five years	-	-
Lease payments recognised in the Statement of Profit and Loss with respect to above mentioned operating lease arrangement	0.72	0.69

1.6 Earnings per Share ('EPS') (AS 20)

Particulars	March 31, 2021	March 31, 2020
Weighted average number of equity shares used in computation of basic earnings per share (in 000's)	1,994,535	1,989,049
Weighted average number of equity shares used in computation of diluted earnings per share (in 000's)	2,001,686	2,004,059
Nominal Value of share (in ₹)	2.00	2.00
Basic earnings per share (in ₹)	8.34	7.94
Diluted earnings per share (in ₹)	8.31	7.88
Earnings used in the computation of basic and diluted earnings per share (₹ in '000)	16,643,338	15,801,960

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, 2021	March 31, 2020
Deferred Tax Liability		
Tax effect of items constituting deferred tax liability:		
(i) Interest accrued but not due	153.75	148.83
(ii) Depreciation on Investments	13.38	11.35
(iii) Special Reserve under Section 36 (1) (viii) of the Income Tax Act, 1961	168.12	137.64
(iv) Others	10.90	7.44
Total - (A)	346.15	305.26
Deferred Tax Asset		
Tax effect of items constituting deferred tax assets:		
(i) Interest/premium paid on purchase of securities	1.44	2.74
(ii) Provision for Standard Assets	185.42	157.58
(iii) Depreciation on Fixed Assets	11.76	11.66
(iv) Others	153.41	126.65
Total - (B)	352.03	298.63
Net Deferred tax liability/ (Asset) (A-B)	(5.88)	6.63





SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD...)

1.8 'Provisions and Contingencies' recognised in the Consolidated Profit and Loss Account include: (₹ in Crore)

	March 31, 2021	March 31, 2020
i) Provision towards NPAs	1,547.04	1,012.48
ii) Provision for depreciation Investments (Net)	14.74	63.50
iii) Provision for Non-Performing Investments	3.90	5.37
iv) Provision for Standard Assets	149.95	111.82
v) Provision for Taxation	561.35	507.20
vi) Provision towards present value of sacrifice on restructuring, other contingencies etc.	14.13	(5.95)
Total	2,291.11	1,694.42

1.9 Amount of Provisions made for income-tax during the year (₹ in Crore)

Particulars	March 31, 2021	March 31, 2020
Provision for Income Tax		
a) Current Tax	583.31	580.58
b) Deferred Tax	(21.95)	(73.38)
Total	561.36	507.20

1.10 Draw Down from Reserves

The Bank has not drawn down from any reserves during the year ended March 31, 2021 and March 31, 2020.

1.11 Details of Penalty imposed by RBI

The Bank

(₹ in Lakhs)

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
a) Penalty imposed on currency chests	2.08	0.50
Dates of Payment	Various dates	Various dates
b) Penalty imposed on deficiency in regulatory compliances	Nil	50.00 [#]
Date of Payment	Not Applicable	August 14, 2019

[#] Penalty was imposed by RBI vide letter EFD. CO. SO. 124 / 02.02.003 / 2019-20 dated August 05, 2019.

Fedbank Financial Services Limited

During the year ended March 31, 2021, RBI vide order ref EFD.CO.SO/372/02.14.148/2020-21 March 22, 2021 in exercise of the powers conferred under clause (b) of sub-section (1) of section 58G read with clause (aa) of subsection (5) of section 58B of the Reserve Bank of India Act, 1934, a penalty of ₹ 15 Lakhs is imposed on Fedbank Financial Services Limited. (Previous Year ₹ Nil)

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, 2021	March 31, 2020
Gross Block		
At the beginning of the year	257.74	253.78
Additions during the year	55.87	28.95
Deductions / Adjustments during the year	0.49	24.99
At the end of the year	313.12	257.74
Depreciation / Amortisation		
At the beginning of the year	206.48	194.64
Charge for the year	26.67	36.70
Deductions during the year	0.47	24.86
Depreciation to date	232.68	206.48
Net Block	80.44	51.26

SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD...)
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, 2021 and March 31, 2020.

C) Change in Accounting estimates

As per the requirements of Accounting Standard (AS) 10 – Property, Plant and Equipment, the Bank has reviewed useful life of all its fixed assets. Based on the review, the Bank has identified certain class of assets, wherein based on the technical evaluation / experience of the Bank, the useful life of the assets is different than those estimated in earlier periods, accordingly the Bank has revised useful life of certain identified class of assets, due to which depreciation charge for the financial year 2020-21 is lower by ₹ 22.12 crore.

1.13 Provisions and Contingencies
a) Movement in provision for non-credit related* frauds included under other liabilities:

(₹ in Crore)

	March 31, 2021	March 31, 2020
Opening balance at the beginning of the year	5.76	4.46
Additions during the year	1.32	1.37
Reductions on account of payments during the year	1.54	0.07
Balance at the end of the year	5.54	5.76

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

b) Movement in provision for debit card reward points:

(₹ in Crore)

	March 31, 2021	March 31, 2020
Opening provision at the beginning of the year	15.58	5.19
Provision made during the year	15.39	36.49
Reductions during the year	25.13	26.10
Closing provision at the end of the year *	5.84	15.58

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

c) Movement in provision for other contingencies:

(₹ in Crore)

	March 31, 2021	March 31, 2020
Opening provision at the beginning of the year	31.28	55.49
Provision made during the year	14.35	3.57
Provision utilized for Write off during the year	2.30	1.04
Reductions during the year	1.11	26.74
Closing provision at the end of the year	42.22	31.28

d) Movement in floating provision:

(₹ in Crore)

Particulars	Standard Assets Provisions		NPA Provision	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
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





SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD...)

e) COVID-19 – Uncertainties, Regulatory Packages, Asset Classification and Provisioning

The Bank

On account of uncertainties arising from the COVID-19 pandemic across the world and in India, including the current 'second wave' which has resulted in imposition of renewed restrictions in various parts of the country, the extent to which the same will impact the Bank's operations and financial position will depend on various aspects including actions taken to mitigate its impact and other regulatory measures. The Bank's capital and liquidity position is strong and would continue to be the focus area for the Bank during this period.

As per the 'COVID-19 Regulatory Packages' announced by the RBI ('the RBI guidelines'), with regard to providing relief to borrowers, 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 August 31, 2020, including relaxation in certain parameters to all eligible borrowers, without considering the same as restructuring. In respect of such accounts that were granted moratorium, the asset classification remained standstill during the moratorium period.

The Honourable Supreme Court in a writ petition by Gajendra Sharma Vs Union of India & Anr vide its interim order dated September 3, 2020 had directed Banks that the accounts which were not declared Non performing asset (NPA) till August 31, 2020 shall not be declared NPA till further orders, pending disposal of the case by Supreme Court. Pursuant to the order, the Bank had not declared any account as NPA, which was not declared as NPA till August 31, 2020 as per the RBI Prudential norms on Income Recognition, Asset classification, and provisioning pertaining to advances. The interim order to not declare accounts as NPA has been vacated by the Honourable Supreme Court on March 23, 2021 vide judgement in the matter of Small-Scale Industrial Manufacturers Association vs. UOI & Ors and RBI has issued a circular dated April 07, 2021 thereon, in accordance with which the Bank has made the asset classification of borrower accounts which were granted moratorium as above, as per the applicable extant IRAC norms with effect from September 1, 2020.

Further, the Bank has permitted restructuring of eligible borrower accounts affected by the pandemic stress in accordance with the resolution framework prescribed by RBI and offered other relief measures under the various concessional schemes.

Provisions have been created by the Bank in respect of the above stated COVID-19 assistance schemes provided by the Bank to the borrowers, and in the opinion of the management, the provisions held are considered adequate based on the current facts and circumstances

Fedbank Financial Services Limited

The second wave of COVID-19 and resultant infections have been more significant than in the first wave. Some of our staff or their family members have been affected. With many of the states going in for curtailed activity / shut-downs – currently we expect the business risk to remain elevated at least for Q1, 22. With strong liquidity in the balance sheet and with a large amount of term facilities availed from banks which remain un-utilised, with our ability to retain collections at high levels in spite of the impact on customers in the affected state, with increased realisation of benefits on the digital processes we began instituting, adequate impairment provisions against anticipated credit losses and a comparatively higher capital adequacy – we are in significantly better position than last year to face any adverse events – as they present themselves. The management continues to closely monitor for any material changes in the macroeconomic factors impacting the operations of the Company. Taking into consideration the impact arising from the COVID-19 pandemic on the economic environment, the Company has, during the year, continued to undertake a risk assessment of its credit exposures and in addition to the provision required as per the IRAC norms of RBI, it has recorded a total additional provision overlay of ₹ 45.26 crore as on March 31, 2021 (as on March 31, 2020: ₹ 5.47 crore) in the Balance sheet, to reflect deterioration in the macroeconomic outlook. The final impact of this pandemic is very uncertain, and the actual impact may be different than that estimated based on the conditions prevailing as at the date of approval of these financial results.

Federal Operations and Services Limited

Based on an assessment carried out by the management following the global outbreak of Coronavirus (COVID-19) pandemic, having regard to the overall national and global economic environment, taking into account internal and external information

SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD...)

available up to 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 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 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.





SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD...)

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 ₹ 5.32 crore (Previous year ₹ 8.70 crore), ₹ Nil (Previous year ₹ 0.10 crore) is due to Micro, Small and Medium Enterprises. The Company 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.

Federal Operations and Services Limited

The Company has taken steps to identify suppliers who qualify under the definition of Micro and Small Enterprises, as defined under the Micro, Small and Medium Enterprises Act 2006. Since no intimation has been received from the suppliers regarding their status under the said Act as at 31.03.2021, disclosures relating to amounts unpaid as at the year end, if any, have not been furnished.

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, 2021

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	97.71%	16,123.61	95.55%	1,590.30
Subsidiary: Fedbank Financial Services Limited	1.85%	306.36	2.60%	43.36
Federal Operations and Services Limited	0.02%	2.82	0.11%	1.84
Associate: Ageas Federal Life Insurance Company Limited	0.41%	68.36	1.87%	31.05
Equirus Capital Private Limited	0.01%	1.08	(0.13)%	(2.22)
Total	100.00%	16,502.23	100.00%	1,664.33

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: Ageas 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%	1,580.20

SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021 (CONTD...)

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.

For and on behalf of the Board of Directors

Krishnakumar K
Executive Vice President

Samir P Rajdev
Company Secretary

Ashutosh Khajuria
Executive Director & CFO
(DIN: 05154975)

Shalini Warriar
Executive Director
(DIN: 08257526)

Venkatraman Venkateswaran
Group President

Grace Elizabeth Koshie
Chairperson
(DIN: 06765216)

Shyam Srinivasan
Managing Director & CEO
(DIN: 02274773)

As per our report of even date

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

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

R Rajasekharan
Partner
Membership No: 22703
Place: Kochi

Devang Vaghani
Partner
Membership No: 109386
Place: Mumbai

Directors:

C Balagopal
A P Hota
K Balakrishnan
Siddhartha Sengupta
Manoj Fadnis
Sudarshan Sen
Varsha Vasant Purandare

(DIN: 00430938)
(DIN: 02593219)
(DIN: 00034031)
(DIN: 08467648)
(DIN: 01087055)
(DIN: 03570051)
(DIN: 05288076)

Place: Kochi
Date : May 17, 2021





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 Thousand)

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	2,908,694	100,000
7. Reserves & surplus	5,400,289	28,163
8. Total assets	54,011,294	149,553
9. Total Liabilities	45,702,311	21,390
10. Investments	333,271	-
11. Turnover	6,964,557	264,022
12. Profit before taxation	724,296	23,939
13. Provision for taxation	138,285	5,576
14. Profit after taxation	586,011	18,363
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 figures 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	Ageas Federal Life Insurance Company Limited	Equirus Capital Private Limited
1. Latest audited Balance Sheet	31/03/2021	31/03/2021
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	12,128,673
Amount of Investment in Associates/ Joint Venture (₹ '000)	2,080,000	216,022
Extent of Holding (in %)	26.00%	19.90%
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 plan, 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)	2,763,618	103,771
7. Profit / Loss for the year 2020-21 (₹ '000)		
i. Considered in Consolidation	310,555	6,760
ii. Not Considered in Consolidation	883,889	27,217

Notes:

- 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
Executive Vice President

 Samir P Rajdev
Company Secretary

 Ashutosh Khajuria
Executive Director & CFO
(DIN: 05154975)

 Shalini Warriar
Executive Director
(DIN: 08257526)

 Venkatraman Venkateswaran
Group President

 Grace Elizabeth Koshie
Chairperson
(DIN: 06765216)

 Shyam Srinivasan
Managing Director & CEO
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 C Balagopal
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(DIN: 01087055)
(DIN: 03570051)
(DIN: 05288076)

 Place: Kochi
Date : May 17, 2021


FEDERAL BANK

YOUR PERFECT BANKING PARTNER

Corporate Office:

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The Federal Bank Limited, Regd. Office. Aluva.

CIN: L65191KL1931PLC000368