

FEDERAL BANK
YOUR PERFECT BANKING PARTNER

ANNUAL REPORT 2016-2017



**WHY
SETTLE
FOR
LESS?**

Safe Harbour

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

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Aspire for more

Once you have experienced excellence, you'll never again be content with mediocrity. At Federal Bank, our attempt has always been to raise the bar of performance, year after year. This pursuit of excellence finds reflection in the question "why settle for less?" The annual report for 2016-17 captures the bank's unrelenting quest to push the envelope and the unceasing efforts to transcend from good to great. On all the operational parameters we have set new benchmarks of excellence and we look forward to extend our winning ways to the emerging digital milieu as well. Let's all aspire for more!

About the Bank

The history of Federal Bank dates back to the pre-independence era. The Bank was incorporated on April 23, 1931 as the Travancore Federal Bank Limited, Nedumpuram under the Travancore Companies Regulation, 1916. Late K.P. Hormis, the visionary banker and founder took up the reigns in 1945 and built the bank a nationwide institution. The Bank's name was changed to The Federal Bank Limited on December 2, 1949. The Bank was licensed under the Banking Regulation Act, 1949, on July 11, 1959 and became a scheduled commercial bank under the Second Schedule of Reserve Bank of India Act, 1934 on July 20, 1970. Today the bank is present in 25 States, Delhi NCT and 4 Union Territories and the bank is listed in BSE, NSE and London Stock Exchange.

Our Vision

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

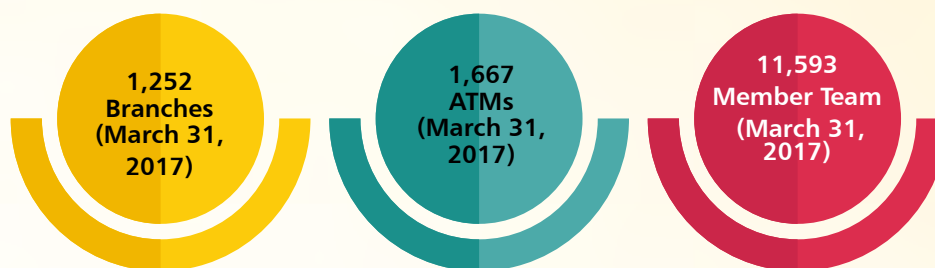
Our Mission

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

Shareholders: Achieve a consistent annual post-tax return of 18% on net worth.

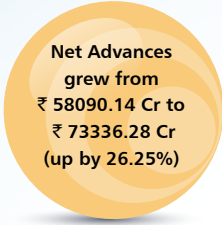
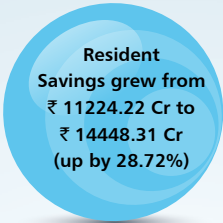
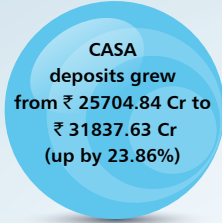
Employees: Develop in every employee a high degree of pride and loyalty in serving the Bank.

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

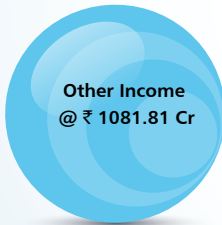


PERFORMANCE DASHBOARD

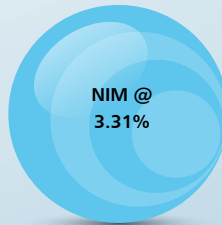
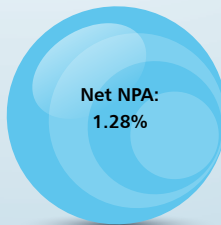
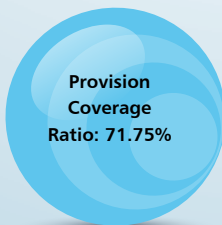
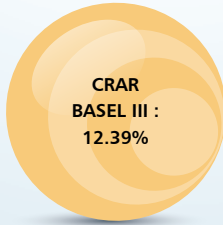
Volume Growth



Income Growth

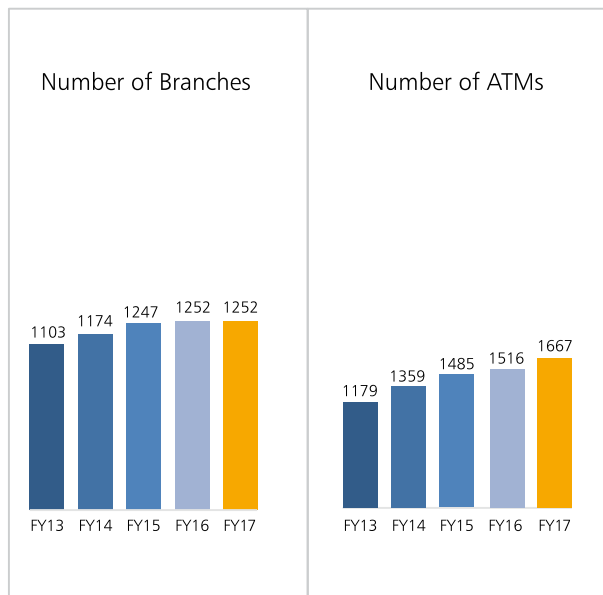


Key Ratios

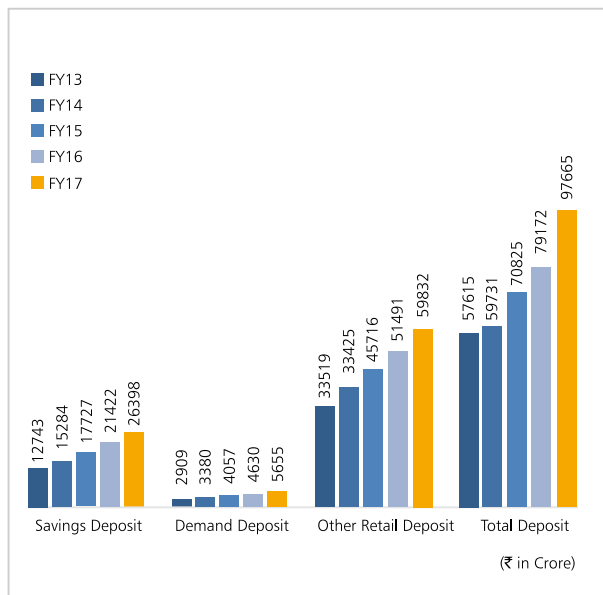


Performance Dashboard

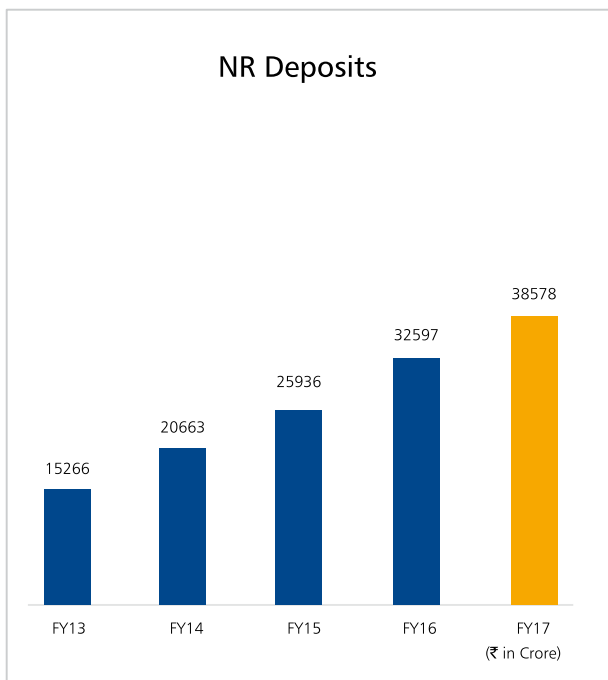
Footprint Coverage



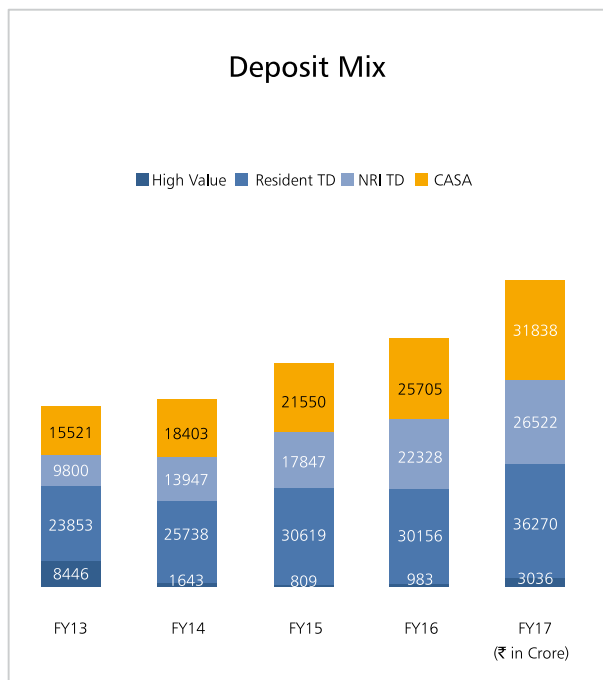
Retail Deposit



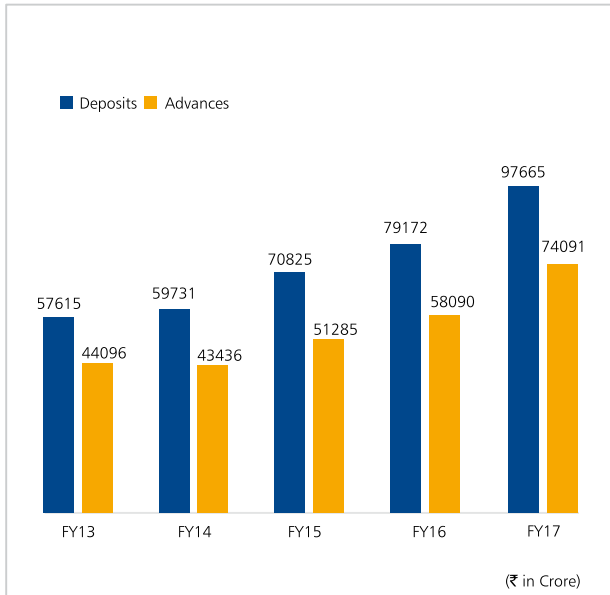
NR Deposits



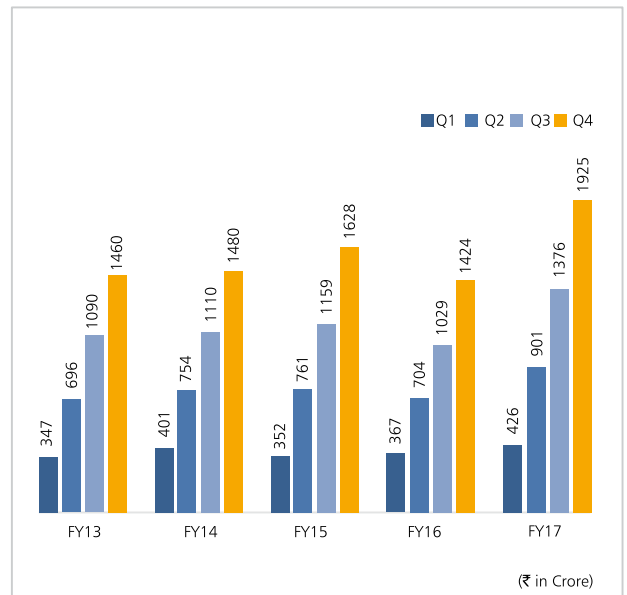
Deposit Mix



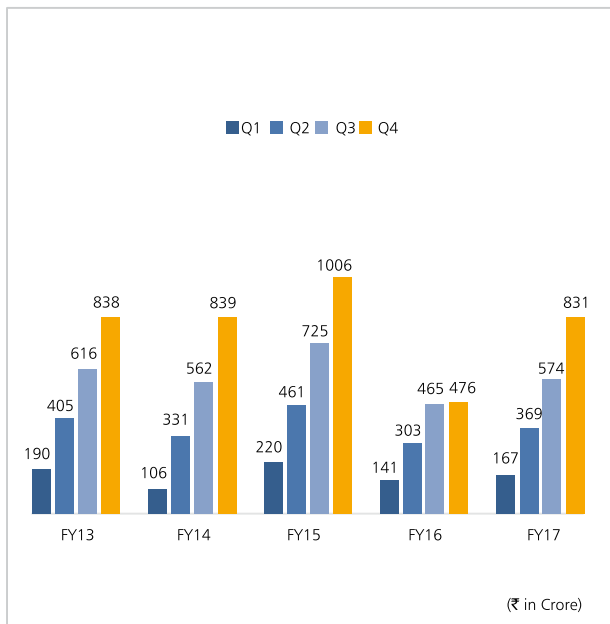
Business



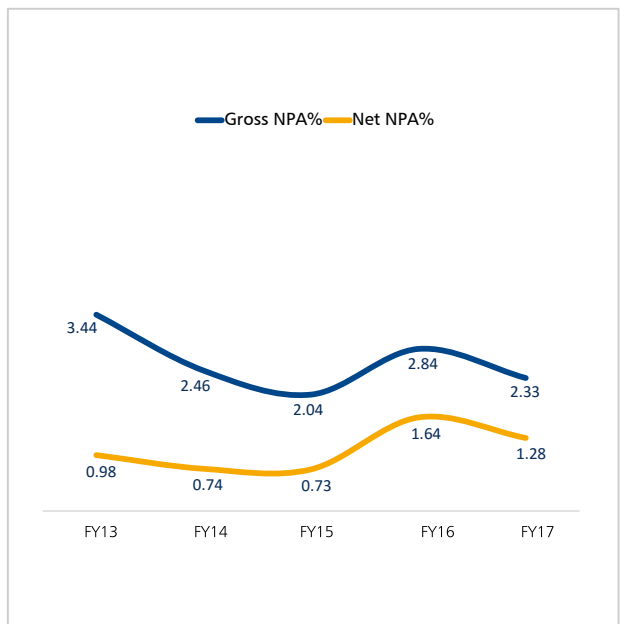
Operating Profit



Net Profit



Asset Quality





MESSAGE FROM THE CHAIRMAN

Shri K M CHANDRASEKHAR

Dear Shareholder,

“The secret of change is to focus all of your energy, not on fighting the old, but on building the new”, stated Socrates eons ago. These pearls of ancient wisdom resonate in my mind, as I sit down to pen my maiden message to you. It is indeed a privilege to be Chairman of this great organization as it transits from the familiar terrain of conventional banking to the exciting, yet uncharted waters of digital banking, while yet retaining the core of what we are. And I wish to thank everyone for reposing their faith in me and the Board of Directors at this time of churn and change.

The year 2016-17 was an eventful year for the world in general and for India in particular. And these groundbreaking events took all of us by surprise. From the unanticipated outcome of the American

Presidential election to the momentous demonetization drive in India, from Brexit to the continuing upheaval in West Asia, the year witnessed a steady stream of tumultuous events. This maelstrom threw up formidable challenges as well as unprecedented opportunities for the sector. And

I am glad to tell you that your bank weathered the storm with aplomb and, in fact, rode the crest of this wave to deliver a story of consolidation and growth.

It is profoundly satisfying to note that on many key performance parameters such as profitability, EPS and dividend your bank could post impressive numbers. In the year 2016-17, your Bank's Operating profit recorded a commendable growth of 35.20% to reach ₹ 1924.93 Cr. while the Total Business registered a growth of 24.58% to reach ₹ 171000.84 Cr. While the Deposit portfolio increased by 23.36% from ₹ 79171.71 Cr as on 31st March 2016 to

As business becomes more digitally intensive, organizations must innovate quickly and effectively to keep pace with competitors and remain relevant to customers.

₹ 97664.56 Cr as on 31st March 2017, Total Advances grew by 26.25% to reach ₹ 73336.28 Cr. On the asset side, Retail advances recorded a growth of 27.08% to ₹21793.62 Cr and corporate advances went up by 33.54% to ₹ 27158.70 Cr. These figures abundantly reflect the intrinsic strength and stability of your bank. They clearly convey that after years of consolidation, your bank is now well positioned to step up on growth.

As business becomes more digitally intensive, organizations must innovate quickly and effectively to keep pace with competitors and remain relevant to customers. So, our unceasing endeavor to re-skill, reboot and reposition ourselves continued in the past year as well. In unambiguous terms we demonstrated our digital expertise last year with the launch of Lotza, the UPI app. It's gratifying to note that Lotza gained traction swiftly and emerged as one of the popular UPI apps in India. Apart from Lotza, our other digital products too are witnessing a sharp spike in the number of downloads and new users. Put these digital jigsaw pieces together and an inspiring picture of a future-ready bank emerges.

However, our digital forays will never mean that conventional banking will ever diminish in importance for us. We firmly believe that our commitment to delight a customer who walks into our premises should be as high as our endeavor to delight a customer who clicks on a Federal Bank app. For us, a perfect marriage of conventional and digital banking is the way forward.

Your bank is privileged to have a board of directors that guides the organization with a remarkable mix of foresight, wisdom and ethics. The bank's unwavering commitment to its founding values served the bank well and this moral compass has enabled the bank to maintain a squeaky clean reputation. In February this year, Mr. Sudhir Joshi retired from the Board, after serving the bank exceptionally well as one of its directors. Mr. Joshi retired upon completing his tenure at the bank. On behalf of the

board, I wish to express my deep gratitude to Mr. Joshi.

There is no greater motivation for us than the confidence you continue to repose in us. I would like to reiterate that in an increasingly uncertain global economic world, we never lose sight of the reason we are here: to serve our customers, to offer best in class products, help communities and, of course, to continuously repay the trust that you, our shareholders, place in us. Our clear focus on customer delight and continuous up gradation of skills were critical to delivering healthy profits – despite a highly volatile and challenging business environment. But this is the past and your bank will not rest on its laurels! Presently, we are at a stage where we are defining the future and will then build it on the strong foundations of the past.

However, our digital forays will never mean that conventional banking will ever diminish in importance for us. We firmly believe that our commitment to delight a customer who walks into our premises should be as high as our endeavor to delight a customer who clicks on a Federal Bank app.

While mapping the future is an easy thing, achieving that future is what differentiates the 'Great' and 'Good' organizations. I am reminded of James C Collins, who often quoted the saying "good is the enemy of the great". So, the question staring at us is this: Why should we settle for less? We should not happily settle for something that is merely 'good'. We should aspire for the great. That will propel our organization into a higher orbit of success and accomplishment. Let us all move forward as one team, with this vision and achieve this goal.

Let me take this opportunity to express my sincere thanks to our esteemed shareholders, customers, employees and all stake holders for their unstinted support. We look forward to your continued co-operation as the bank steps into a new horizon, full of new potential and possibilities.

MESSAGE FROM THE MANAGING DIRECTOR & CEO



Dear Shareholders,

I am pleased and happy to share our Annual Report for Financial Year '17. The year, as most of us know, was filled with global and domestic events (should we say surprises!) that had telling impact on nations and organizations.

Closer home, Demonetization in November 2016 was a watershed event in the industry and has forever changed how we as Indians, deal with cash. Around the same time, we at Federal had just migrated to a state of the art Core Banking System, to create an advanced platform to enhance operational excellence. The event of Demonetization was thus a true challenge, as our teams were adjusting to the new platform and parallelly had to deal with cash logistics issues and some concerns among customers. However I am delighted to inform that our teams rose to the challenge braving personal inconveniences and dealt with both the events with aplomb.

Strong, Sustainable and High Quality Growth

The Financial Performance of FY '17, you may have observed, bears testimony to all the sincere efforts and hard work of our teams. In a year when the Banking Industry was addressing significant issues

of 'no or low growth' and mounting Non-Performing Assets, we delivered a stand out performance!

Our total business increased by 24.58%, our net interest margins improved to 3.31% and our Non-Performing Assets progressed from 1.64 % to 1.28 % (Net NPA) which is reflective of years of prudent and balanced efforts by the Bank.

Our ever watchful and supportive Board has continuously encouraged the team to focus on improving the Operating Rhythm of the Bank and sharply focus on excellence through a combination of state-of-the-art digital initiatives and a genuine focus on customer engagement efforts. In fact, there were more than three occasions when members of the Board spent quality time with customers and our front-end staff members to get a first hand sense of how our clients feel about the bank. Those were indeed helpful in further sharpening our focus in the crucial area of customer experience.

Digital at the Fore, Human at the Core!

Inspired by our guiding principle of 'Digital at the Fore and Human at the Core', we had many Digital firsts to our credit.

Noteworthy were of course the Lotza UPI App, which is one amongst the country's first UPI offering for both customers and non-customers, Innovative and cutting-edge merchant solutions including the UPI based POS machines - Lotza u-POS and BYOM - 'Be Your Own Master', our pioneering digital platform for online lending.

While we continued to strengthen our Digital Focus, we are equally

clients by helping them raise foreign currency borrowings at competitive rates, making our bond even stronger.

Way Forward

While we are encouraged to have delivered a good Financial Year in FY '17, we are acutely aware of the responsibility to ensure that in the year ahead, we do even better and deliver material progress on key shareholder return metrics.



Speak for India: The most awaited debating event for Indian Youth, a flagship annual CSR initiative that aims to spot and nurture young talent.

Every effort of the Bank is to ensure we sharpen our execution, increase our operating efficiency, reduce wastage, increase digitization and yet keep the human touch that you truly cherish. While we do this, we are also sowing the seeds of growth in the year ahead by running test programs to sharpen the focus on tailored initiatives for emerging and mid-market clients, targeted programs for Retail Wealth Management and a Personal Loan program for deserving salaried employees in chosen geographies. As these programs mature, we will see them

keen that our physical client interface increases even further. I am pleased that we added over 100 RMs and new Branch leaders who are now reaching out to clients and presenting the full face of the Bank. With their well trained and researched efforts, they are able to make a deep impact and offer valuable solutions to clients.

Deriving Growth from Enhanced Footprint across India

Our market share gains across geographies, products and segments (Pan India, the Bank's share grew over 12 bps) is indeed a reflection of these efforts, which will further accelerate as we go into FY '18.

There are two key areas that I am happy to share; where our desire to Dominate our chosen areas is visible. In our home market, our market share is now 13.85% with an improvement of close to 50 bps from the last fiscal and we see this increasing every year hereon. Further, our share of the overall remittances that come into India is now in the mid-teens and it has almost doubled in under 5 years. This is once again, proof of the faith our stakeholders have in our offerings, one that we work hard to earn every day.

Our presence in the GIFT City has seen us build a book of USD 212 million as it is helping us strengthen our relationship with

add up to an already rich suite of offerings which will help us deliver on our aspiration of building the **'Most Admired Bank' which is Digitally enabled with a sharp focus on Micro, Medium and Middle market enterprises.**

We are excited by the opportunities that lie ahead. As always our committed team looks to preserve the best of the past, draw up a new charter that captures opportunities through bespoke solutions with a keen eye and continue to groom homegrown talent enthusiastically.

The Bank plans a 360 degree communication campaign this financial year, to further popularize the brand - its reach and recall.

The campaign will speak of the flagship products of the bank in a creative and contemporary manner. We will expressly ask our audience, the theme-question, **'Why Settle for Less?'** and nudge them to start a relationship with us.

We are, as always, thankful to our Board Members and all our stakeholders for the continued support as we redouble our efforts to face the ever challenging market conditions with confidence and faith in our collective capabilities.

We look forward to coming back to you with good progress in the year ahead. As always, I remain, **Proud to be a Federal!**

Every effort of the Bank is to ensure we sharpen our execution, increase our operating efficiency, reduce wastage, increase digitization and yet keep the human touch that you truly cherish.



Shri. K. M. CHANDRASEKHAR
(Chairman)

Shri. SHYAM SRINIVASAN
(Managing Director & CEO)

Shri. HARISH H. ENGINEER
(Independent Director)

Smt. GRACE ELIZABETH KOSHIE
(Independent Director)

Shri. GANESH SANKARAN
(Executive Director)

Shri. NILESH SHIVJI VIRAMSEY
(Independent Director)

Smt. SHUBHALAKSHMI PANSE
(Independent Director)

Shri. DILIP SADARANGANI
(Independent Director)

Shri. C. BALAGOPAL
(Independent Director)

Shri. ASHUTHOSH KHAJURIA
(Executive Director)

BOARD OF DIRECTORS

MANAGEMENT TEAM



Shyam Srinivasan



Ashutosh Khajuria



Ganesh Sankaran



Shalini Warriar



Sumit Kakkar



Sampath D



Jose V Joseph



Harsh Dugar



Jose K Mathew



Girish Kumar Ganapathy



Ajith Kumar K K



K P Baby

WHY SETTLE FOR LESS?

SEEK MORE CONVENIENCE

Digitisation has simplified everything. Anything is possible now with just a click of a mobile. So when it comes to banking, why should one settle for anything less? Presenting FedBook Selfie, an app that enables customers to open a zero balance account in Federal Bank with just a selfie. Now, anyone can become a proud account-holder in Federal Bank anytime from just about anywhere. All one has to do is download the app, click a selfie and click & scan his/her Aadhaar & PAN card. Voila! The Federal Bank account is ready!




**DIRECTORS'
REPORT**

Your Board of Directors has immense pleasure in presenting this 86th Annual Report of The Federal Bank Limited, along with the audited financial statements for the year ended 31 March, 2017.

Financial Results

(₹ in Crore)

Financial Parameters for the year ended	31 March 2017	31 March 2016
Net Interest Income	3,052.65	2,507.71
Fee and Other Income	1,081.81	808.20
Net Revenue	4,134.46	3,315.91
Operating Expense	2,209.53	1,892.12
Operating Profit	1,924.93	1,423.78
Net Profit	830.81	475.65
Profit brought forward	1,056.98	1,092.37
Total Profit Available for appropriation	1,887.79	1,568.02
Appropriations:		
Transfer to Revenue Reserves	131.43	45.40
Transfer to Statutory Reserves	207.70	118.91
Transfer to Capital Reserves	65.85	6.34
Transfer to/(from) Investment Reserve Account	-14.49	-8.21
Transfer to Special Reserve	46.00	32.00
Provision for Dividend (Refer Note 1 below)	0.02	120.48
Provision for Dividend Tax (Refer Note 1 below)	0.00	24.53
Transfer to Share capital pursuant to issue of Bonus shares	0.00	171.59
Balance Carried over to Balance Sheet	1,451.29	1,056.98
Financial Position (as on)		
Deposits	97,664.56	79,171.71
Advances	73,336.28	58,090.14
Total Business (Deposits + Advances)	1,71,000.84	1,37,261.85
Other Borrowings	5,897.32	5,114.57
Investments	28,196.09	25,155.49
Total Assets (Balance Sheet Size)	1,14,976.93	94,581.37
Equity Capital	344.81	343.79
Ratios		
Return on Total Assets (%)	0.84	0.57
Return on Equity (%)	9.89	6.06
Earnings Per Share (₹)	4.83	2.77
Book value per share (₹)	51.37	46.24
Operating cost to Income (%)	53.44	57.06
Capital Adequacy Ratio (%) Basel (III)	12.39	13.93

Note:

1. The Bank has not appropriated proposed dividend (including tax) pursuant to change in Accounting Standard (AS) 4 "Contingencies and Events occurring after the Balance sheet date".
2. Previous year figures have been regrouped / reclassified, where necessary to conform to current year's classification.

Highlights of performance

Growth in Business

During the year 2016-17, your bank has tried to bring in substantial and all-round improvement in various financial parameters. Total business of your Bank improved by 24.58% to reach at ₹ 171000.84 Cr as on 31 March 2017. 23.36% growth in deposits and 26.25% growth in advances helped your bank to clock this number. Total deposits reached ₹ 97664.57 Cr and advances reached ₹ 73336.28 Cr and on averages, deposit portfolio of your bank grew by 18.71% to reach ₹ 86502.75 Cr and advance portfolio grew by 22.31% to reach ₹ 62787.70 Cr.

On the NR side, NRE deposits had a growth rate of 18.46% to reach ₹ 36407.17 Cr and NRE Savings clocked a growth of 16.01% to reach ₹ 10547.42 Cr. The total NR business of your bank stood at ₹ 38577.93 Cr with a growth of 18.35%.

On CASA front, Savings deposit touched ₹ 26397.67 Cr with 23.23% growth and Current deposits stood at ₹ 5439.96 Cr with a growth of 27.02%. Your bank registered a healthy CASA growth of 23.86% to reach ₹ 31837.63 Cr. CASA ratio of your bank stood at 32.60%.

The investment portfolio of your Bank has reached ₹ 28196.09 Cr as on 31 March 2017. The average investment as on 31 March 2017 is ₹ 25948.30 Cr.

Profitability

The Operating Profit of your Bank increased by 35.20% to ₹ 1924.93 Cr and Net Profit of your bank is up by 74.66% to ₹ 830.79 Cr. Healthy increase in core income streams, improving asset quality has helped your bank to have a sharp rise in profitability. Net Interest Income improved by 21.73% to ₹ 3052.65 Cr while the Non-Interest Income rose to ₹ 1081.81 Cr, showing a rise of 33.85%.

Total income of your Bank during the fiscal year 2017 recorded 14.06 % growth to reach ₹ 9759.20 Cr. Income from advances increased by 15.46% to reach ₹ 6545.68 Cr. The yield on advances stood at 10.43% and the yield on Investments at 8.13 %. The Net Interest Margin for the fiscal year is at 3.31% as against 3.14%, in the previous year.

Return on Average Equity and Return on Average Total Assets stood at 9.89 % and 0.84% respectively. Earnings per Share (face value of ₹ 2 each) of the Bank, as on 31 March 2017 was ₹ 4.83. Book value per share had increased to ₹ 51.37 during FY 17.

Expenditure

Higher revenue growth and better cost management resulted in Cost / Income Ratio improving to 53.44% in 2016-17 as against 57.06% last year. The total expenses of your bank increased by 9.84%, to reach at ₹ 7834.27 Cr and by an increase of 7.33%, interest expenses increased to ₹ 5624.74 Cr in FY 17. Operating

Expenses of the Bank during the fiscal year grew to ₹ 2209.53 Cr.

The cost of deposits of the Bank has come down during the year. The cost of deposits of the Bank is 6.25% as on 31 March 2017. The Interest expenses as percentage to total income stood at 57.64%.

Spread

During the fiscal year the Bank's spread on advances (gross) increased to 4.18% and spread on investments (gross) stood at 1.88%. The Spread (net of provisions) on advance improved to 3.53% from 3.02% of last year.

Asset Quality

The Gross NPA of your Bank as on 31st March 2017 stood at ₹ 1727.05 Cr. Gross NPA as a percentage to Gross Advances is 2.33% which is lower than 2.84% as at the end of FY16. The Net NPA stood at ₹ 941.20 Cr and this as a percentage to Net Advances is 1.28%. The Provision Coverage Ratio (including technical write-offs) stood at 71.75%.

Net worth & Capital Adequacy

The Net Worth of your Bank grew by 11.42% to ₹ 8856.47 Cr as against ₹ 7948.96 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 12.39% which is considerably higher than the 9% stipulated by RBI. Of this, Tier 1 CRAR is at 11.81%.

Business Overview

Your Bank continued its consistent performance during FY 2016-17 with the total Business of the Bank increasing by 24.58% to ₹ 171000.84 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.

Employee Productivity

Business per employee of your Bank during the period stood at ₹ 14.66 Cr, an improvement of 21.88% for the year and the profit per employee of the Bank stood at ₹ 7.12 Lakh during the fiscal.

Network Coverage

The Bank has 1252 branches and 1667 ATMs as on 31st March 2017. The Bank also has its Representative Office at Abu Dhabi & Dubai and an IFSC Banking Unit (IBU) in Gujarat International Finance Tec-City (GIFT City).

Share Value

Earnings Per Share (face value ₹ 2/- each) of your Bank has improved from 2.77 to 4.83 during the year under review. Return

on Equity during the year reached 9.89 % in the fiscal year ended 31 March 2017.

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 45% i.e. ₹ 0.90 per Equity Share on face value of ₹ 2/- each for the year 2016-17 (previous year 35% i.e. ₹ 0.70 per Equity Share) 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.

Appropriations

(in 000)

	FY 2016-17	FY 2015-16
Transfer to Revenue Reserve	13,14,286	4,54,011
Transfer to Statutory Reserve	20,76,971	11,89,120
Transfer to Capital Reserve	6,58,459	63,365
Transfer to/(from) Investment Reserve Account	(1,44,930)	(82,119)
Transfer to Special Reserve	4,60,000	3,20,000
Dividend (including tax/cess thereon) pertaining to previous year paid during the year	242	1,511
Proposed dividend	-	12,03,289
Tax on proposed dividend	-	2,45,274
Transfer to Share capital pursuant to issue of Bonus shares	-	17,15,891
Balance carried over to Balance Sheet	1,45,12,668	1,05,69,814
Total	1,88,77,696	1,56,80,156

Note: 1. The proposed equity dividend (excluding dividend distribution tax) amounting to ₹155.16 crore is not accounted as liabilities in fiscal 2017 in accordance with the revised AS 4 - 'Contingencies and events occurring after the balance sheet date.

Material changes and commitment affecting financial position of the bank

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

Significant and material orders passed by the regulators or courts or tribunals impacting the going concern status of the company and its future operations

There are no material orders passed by the regulators or courts or tribunals impacting the going concern status and company's operations in future;

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 VIII. The Policy is hosted on the website of the Bank and can be viewed in the following link <https://www.federalbank.co.in/documents/10180/45777/Dividend+Distribution+Policy/1a3c7d86-1d61-45c3-aa24-6ea421644de9>

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 your Bank.

Increase of Capital

In FY 2016-17, The Paid Up Capital of the Bank was increased by an amount of ₹ 1,01,97,140 by allotment of 50,98,570 ESOS shares of ₹ 2/- each. The Paid up Capital of the Bank as on 31 March 2017 is ₹ 344,80,90,828 consisting of 172,40,45,414 equity shares of ₹ 2/- each.

Investor Education and Protection Fund

As per the Companies Act 2013, dividend unclaimed for more than seven years from the date of declaration is to be transferred to Investor Education and Protection Fund. On 18 October 2016 the Bank had transferred ₹ 6743545/- to the above Fund, being the unclaimed dividend for the year 2009.

Employee Stock Option Scheme (ESOS)

The Bank has instituted an Employee Stock Option Scheme, 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 Scheme is in accordance with the Securities and Exchange Board of India (Employee Stock Option and Employee Stock Purchase Scheme) Guidelines, 1999. The eligibility and number of options to be granted to an employee is determined on the basis of various parameters such as scale, designation, work performance, grades, period of service, annual fixed pay, Bank's performance and such other parameters as may be decided by the Compensation Committee from time to time in its sole discretion and is approved by the Board of Directors.

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

The option conversion price was set to be the closing price on the day previous to the grant date. The compensation committee granted 3,47,20,200 options during the year 2011-12, 244,84,750 options during the year 2012-13, 260,94,250 options during the

year 2013-14, 11156450 options during 2014-15, 10,25,000 options during the year 2015-16 and 9,65,000 options during the year 2016-17. The options granted which are non transferable, with vesting period of 1,2,3 & 4 years subject to standard vesting conditions, must be exercised within five years from the date of vesting. As on 31 March 2017, 13564404 options had been exercised and 7,18,02,986. 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 ESOP are given in Annexure II to this report.

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.

Overview of some of the major CSR programs undertaken by the bank during FY 2016 – 17 are detailed in the Management Discussion and Analysis part of the Annual Report.

CSR Expenditure

The amount to be spent by the Bank towards CSR for FY 2016-17 as per Section 135 of the Companies Act, 2013, comes to ₹ 23.01 Crores. Amount spent by the Bank this year towards CSR was ₹15.42 Crores. Through various projects which are already sanctioned, your Bank will be thoughtfully spending the CSR funds earmarked for the purpose. The ratio adopted was 80:20, wherein 80 % of the CSR funds will be utilized for long term sustainable projects and 20 % of the funds will be utilized to meet location specific requests. The Bank had also embarked on some major projects last year in the field of education, Youth engagement, skill development, support to differently abled etc. By choosing long term sustainable projects, Bank has taken an approach which brings steady and long lasting impact on society.

The details of the CSR activities of FY 2016-17 are mentioned in Annexure IV to this report.

Risk Management

The Board of Directors oversees the enterprise wide risk management functions of the Bank. A separate Risk Management Committee of the Board supervises the risk management functions, thereby bringing in a top to down focus on risk management. Integrated Risk Management Department co-ordinates and administers the risk management functions in the Bank. The Department has three dedicated divisions for managing Credit risk, Market risk and Operational risk. Dedicated teams within the

Divisions are responsible for assessment, monitoring and reporting of risks across the Bank. The Bank has established an independent Mid Office as a part of Market Risk Division to monitor the Treasury activities. Business Continuity Plans & Information Security Plans also form part of risk management functions in the Bank. Risk Management policies are approved by Board of Directors, and reviewed from time to time. Executive level risk management committees, such as Credit Risk Management Committee, Asset Liability Management Committee, Operational Risk Management Committee, Business Continuity Management Committee and Information Security Committee regularly assess the functional efficiency of the Bank in risk management and refine the policies & processes. Responsibility for identification, measurement and controlling of risk in various spheres of activities of the Bank is vested with 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 our opinion presently there are no material risks which threaten the current functioning of the Bank.

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 Policy of the Bank, duly approved and recommended by the Audit Committee of the Board, approved and adopted by the Board. 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 - Model Audit Manual on Internal & Concurrent Audit Systems in Public Sector Banks, 'The internal audit function in banks' published by Basel Committee on Banking Supervision, RBI guidance note on Risk Based Internal Audit. 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 instructions. A department level committee called the 'Learning Committee' meets on periodical intervals to discuss newly published Internal Circulars and RBI guidelines and notes the changes to be incorporated in the yearly review of Audit & Inspection Policy / Manual which ensures that Audit is dynamic.

The Bank has a robust system towards escalating the audit findings to appropriate levels in the hierarchy of Management and discussions in various committees towards suggesting corrective action and its follow up. The Bank in compliance of the requirements of Section 138 of the Companies Act 2013, has designated the Head of Inspection and Audit Department

as Internal Auditor. Audit being an independent function, the Internal Auditor is reporting to the Audit Committee of the Board of Directors (ACB). The Bank has various types of audit which inter-alia include Risk Based Internal Audit, Concurrent Audit and Management Audit. The Risk Based Internal Audit provides for Risk Rating of Branches. Serious findings and observations of all types are presented to Inspection Review Committee of Executives (IRCE) and reviewed by the Audit Committee of the Board. Other findings are discussed and analyzed by a department level committee called the 'Inspection Department Review Committee' (IDRC) and its observations, are placed before IRCE.

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.

Vigil Mechanism/Whistle Blower Policy

Bank has a comprehensive 'Fraud Risk Management Policy' and 'Whistle Blower Policy' which are reviewed and updated from time to time. The Fraud Risk Management Policy covers the control systems and monitoring, surveillance and oversight mechanism for fraud prevention and control aimed at managing the risk of loss on account of frauds. Vigilance Department of the Bank has the twin roles of investigation of fraud and prevention of frauds. Preventive measures taken for enhancing the awareness of fraud risk and for promoting a culture of compliance among the employees include preventive vigilance workshops, preventive vigilance audits, circulation of modus operandi of frauds occurred in banking industry etc. Bank is also promoting customer awareness on frauds especially cyber frauds through different communication channels, as an effective tool in prevention of frauds. The 'Whistle Blower Policy' of the Bank is named as 'Protected Disclosure Scheme' as per the guidelines of RBI. The Protected Disclosure Scheme is available in Bank's website and Bank's intranet site. As per the Scheme, directors and employees of the Bank, customers, stakeholders, non governmental organizations (NGO) and members of general public can lodge complaints/disclosures under the scheme. The complaints/disclosures under the scheme would cover the areas such as corruption, misuse of office, criminal offences, suspected/actual fraud, failure to comply with existing rules and regulations, acts resulting in financial loss/operational risk, loss of reputation etc detrimental to the interest of the Bank, the depositors and the public. No personnel have been denied access for giving any information as envisaged in the Protected Disclosure Scheme.

Website link to Bank's Whistle Blower Policy/Vigil Mechanism is <http://www.federalbank.co.in/documents/10180/45777/Whistle+Blower+policy/558aea51-1335-4546-9c9a-28c5030377a1>

Subsidiary of the Bank

As on 31 March 2017, the Bank has one unlisted fully-owned subsidiary named Fedbank Financial Services Limited. Fedbank Financial Services Limited is a diversified Non-Deposit-Taking & Systemically Important (ND-SI) NBFC offering 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 Federal Bank Limited

The total loan portfolio of Fedbank Financial Services Limited as on 31 March 2017 is ₹ 962 Crores as against ₹ 611 Crores as on 31 March 2016. The Profit After Tax of the company for the year ended 31 March 2017 increased to ₹ 22.53 Crores from ₹ 12.25 Crores for the year ended 31 March 2016.

Joint Venture in Life Insurance Business

The Bank's Joint Venture Life Insurance Company, in association with IDBI Bank Limited and Fortis Insurance International N.V. (now Aegeas), namely IDBI Federal Life Insurance Company Limited (erstwhile IDBI Fortis Life Insurance Company Limited), commenced operations in March 2008. Currently the Bank has a total stake of ₹ 208 Cr in the equity of the company holding 26 % of the equity capital. The total premium collected by IDBI Federal Life Insurance Company Limited during the period ended 31 March 2017 is ₹ 1,565 Crore.

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 subsidiary, Fedbank Financial Services Limited which is forming part of this report. The financial position and performance of its subsidiary/ Associate is given in the statement containing salient features of the financial statements of the subsidiaries/Associate Companies/Joint Venture, (Given as Annexure VII) which forms part of the consolidated financial statements.

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 company of the Bank 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 company 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 subsidiary for the year ended March 31, 2017 forms part of the Annual Report.

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. This Code represents a set of desirable, corporate governance practices to be adopted by the Bank. The Code takes into account the relevant statutory and SEBI/stock exchange listing requirements and Reserve Bank of India (RBI) directives and other guidelines under the Companies Act 2013. The efficacy of the Code lies in how well it is put into practice. In adopting the Code, the stress is its substance and spirit rather than on its form.

Good corporate governance practices help support and strengthen corporate actions aimed at achieving the corporate objective. The Bank's principle 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. A copy of the Code of Conduct for the Board of Directors and Management is available on Bank's website.

Board of Directors

The composition of the Board of Directors is governed by the Banking Regulation Act, 1949, the Companies Act, 2013, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Agreement") and the Code of Corporate Governance adopted by the Bank. The Board comprises of ten Directors as on the date of this report, 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 and information technology.

During FY 2016-17 RBI approval was obtained vide letter No. DBR Appt No.1374/08.38..001/2016-17 dated 28th July, 2016 for reappointment of Mr. Shyam Srinivasan MD & CEO of the Bank for a further period of 3 years w.e.f 23rd September 2016 till 22nd September 2019. Mr. Ganesh Sankaran was appointed as Executive Director on the Board of the Bank, for a period of two years w.e.f 04th July 2016, for which RBI approval was obtained vide its letter no. DBR. Appt No.163/08.38.001/2016-17 dated 04th July 2016 and as such Mr. Ganesh Sankaran took charge as Executive Director of the Bank w.e.f 04th July 2016 after getting the RBI approval.

The first term of appointment of the Independent Directors of

the Bank (Mr. Nilesh Vikamsey, Mr. K M Chandrasekhar, Mr. Dilip Sadarangani, Mr. Harish Engineer, Ms. Grace Koshie and Ms. Shubhalakshmi Panse) ends on 17th July 2017. The Bank has proposed their reappointment as Independent Directors in this AGM.

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

In the previous year AGM held on 11th August 2016, three Additional Directors were regularized as Directors with the shareholders approval. Mr. C Balagopal as Non-Executive Independent Director, Mr. Ashutosh Khajuria and Mr. Ganesh Sankaran as Executive Directors.

During the year Mr. K M Chandrasekhar took charge as the Chairman of the Bank w.e.f 01st March 2017 on the stepping down of Mr. Nilesh Vikamsey as Chairman for which RBI approval was obtained vide letter DBR.Appt.No.1062/08.38.001/2016-17 dated March 07, 2017.

Mr. Sudhir M Joshi, Independent Director of the Bank retired as Director from the Board of the Bank w.e.f 28th February 2017 on attaining seventy years of age, as per the regulatory requirements. The Board places on record their appreciation for the commendable contribution made by Mr. Sudhir M Joshi, as Independent Director during his tenure in the Bank.

Excluding the MD & CEO, Executive Director & Chief Financial Officer, Mr. Ashutosh Khajuria and Executive Director, Mr. Ganesh Sankaran, all other members of the Board are Non-Executive and Independent Directors. Necessary declarations were obtained from the Independent Directors as required under the RBI Regulations, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Companies Act. The remuneration and other benefits paid to MD & CEO of the Bank and Executive Directors during the year are disclosed in **Annexure I** to this Report and in Corporate Governance Report. The Non Executive Independent Directors, except Chairman of the Board, are paid only sitting fees for attending every meeting of the Board/ Committees of the Board within the limits as prescribed under the Companies Act, 2013. The Chairman of the Board (Mr. Nilesh S Vikamsey, upto 28th February 2017 and Mr. K M Chandrasekhar from 01st March 2017) are paid sitting fee for attending Board / Committee meetings and in addition to it an amount of ₹ 1.25 lakhs per month (₹ 15,00,000/- per annum) as remuneration, as approved by the Board and RBI. The Bank has framed a Comprehensive Compensation Policy for Non-Executive Directors of the Bank (Other than Part Time Chairman) which is detailed in the heading Policy on Remuneration to Non-Executive Directors/Independent Directors.

Mr. Ashutosh Khajuria, Executive Director & Chief Financial Officer of the Bank is liable to retire at this AGM in compliance with Section 152 of Companies Act, 2013, as required under the regulations

regarding retirement of directors by rotation. The detailed profile of Mr. Ashutosh Khajuria, recommended for re-appointment in this AGM is mentioned in the Notice for the Annual General Meeting of the Bank.

Composition of Audit Committee

The Audit Committee consists of three Non Executive, Independent Directors, chaired by Ms. Grace Koshie, a Non-Executive Independent Director. The Committee was re-constituted once in the financial year 2016-17. The members of the Committee are Ms. Grace Koshie, Mr. Nilesh S Vikamsey and Ms. Shubhalakshmi Panse who are Non-Executive Independent Directors.

The constitution of the Committee is in compliance with the regulatory requirements. The terms of reference of the Audit Committee incorporated in the Bank's Code of Corporate Governance, are in accordance with the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, Companies Act, 2013 and RBI guidelines, which are detailed in Corporate Governance section of this report.

Independent Directors

In terms of the definition of Independence of Director as prescribed under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Section 149(6) of Companies Act, 2013 and based on the confirmation / disclosures received from the Directors, the following Directors are Independent Directors of the Bank as on the date of this report:

- | | |
|-------------------------------|-----------------|
| 1. Mr. K M Chandrasekhar | (DIN- 06466854) |
| 2. Mr. Nilesh S Vikamsey | (DIN- 00031213) |
| 3. Mr. Dilip G Sadarangani | (DIN- 06610897) |
| 4. Mr. Harish H Engineer | (DIN- 01843009) |
| 5. Ms. Grace Elizabeth Koshie | (DIN- 06765216) |
| 6. Ms. Shubhalakshmi Panse | (DIN- 02599310) |
| 7. Mr. C Balagopal | (DIN- 00430938) |

During the year a meeting of Independent Directors was conducted on 31 March 2017 to evaluate the performance of Board as a whole, evaluation of Non-Independent Directors and Chairman of the Board and assess the flow of information. The meeting was attended by all the Independent Directors of the Bank.

Women Directors

In terms of the provisions of Section 149 of the Companies Act, 2013 and Clause 17(1)(a) of the SEBI (Listing Obligations and Disclosure Requirements), Regulations 2015 (LODR Regulations) a company shall have at least one Woman Director on the Board of the company. Your Bank has Ms. Grace Elizabeth Koshie and Ms. Shubhalakshmi Panse as Directors on the Board of the Bank.

Bank's policy on directors' appointment and remunera-

tion including criteria for determining qualifications, positive attributes, independence of a director and other matters provided under sub-section (3) of section 178;

a) Qualifications, Experience and Knowledge

1. The Board should bring to their tasks a balanced mix of knowledge, skills, experience, and judgment relevant to the Bank's policies, operations, and needs. Not less than fifty-one percent of the total number of Directors shall be persons having special knowledge, skills, or valuable experience in one or more fields, such as banking, finance, management, economics, law, accountancy, agriculture and rural economics, cooperative movement, trade, industry, infrastructure, engineering, and technology. At least two Directors shall be persons having special knowledge or practical experience in agriculture and rural economy, cooperation, or small-scale industry. The Bank shall ensure to include in its Board need based representation of skills such as marketing, technology & systems, risk management, strategic planning, treasury operations, credit recovery etc.
2. The directors should be able to devote sufficient time and attention to the discharge of their duties to the Bank.
3. The directors shall preferably be in the range of 35-70 years

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-LODR 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 meets the criteria of independence.

The terms and conditions of appointment of Independent Director is disclosed on the website of the Bank and a web link thereto is : <https://www.federalbank.co.in/documents/10180//63602//Terms+and+conditions+of+Appointment+of+Independent+Directors/4e33ba77-1cc5-42b4-aa02-ab4b84a62324>

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 2016-17, Non- Executive Independent Directors of the Bank are paid only sitting fee for attending Board/Committees meetings and reimbursement of expenses for participation in Board/Committee meetings other than Non- Executive Part Time Chairman, who is paid remuneration in addition to sitting fee for attending Board/Committees meetings and reimbursement of expenses for participation in Board/Committee meetings, with the approval of RBI.

Policy on remuneration to MD & CEO, Executive Director, 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 Executive Directors including MD & CEO, Key Managerial Personnel and for the employees of the Bank.

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

Core Principles

1. Effective governance of compensation.
2. Alignment of compensation with prudent risk taking.

3. Effective supervisory oversight and stakeholder engagement.

Compensation of Managing Director & CEO, Whole Time Directors and senior Executives

(Non IBA)

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

1. The fixed compensation is to be determined based on the industry standards, the exposure, skill sets, talent and qualification attained by the official over his/her career span. (Approval from RBI to be taken as per section 35B of the Banking Regulation Act while deciding the fixed and variable compensation part for Managing Director & CEO and Whole Time Directors)
2. The variable compensation for Managing Director & CEO and senior Executives (Non – IBA package) to be fixed based on organizational performance and KPAs set for the official. The organization's performance is charted based on the performance scorecard which takes into account various financial indicators like revenue earned, cost deployed, profit earned, NPA position and other intangible factors like leadership and employee development. Variable pay is paid purely based on performance and is measured through score cards for Managing Director & CEO /WTDs. The score card provides a mix of financial and non financial, quantitative and qualitative metrics. KPAs to contain targets on risk adjusted metrics such as RAROC, RARORAC, in addition to target on NPAs.

Compensation paid to Senior Executives and other staff members on IBA package

The compensation paid to other officials that include Award Staff, Officers coming under Scale I to III and Senior Executives coming under Scale IV to VII is fixed based on the periodic industry level settlements with Indian Banks' Association. The variable compensation paid to functionaries is based on the Performance Linked Incentive Scheme, which has been formulated on the basis of performance parameters set in Performance Management System. The scale of pay and other service conditions applicable to employees, whose compensation package is governed under IBA package has been revised consequent to the 10th Bipartite Settlement.

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 ;usher in independence in the performance of the Board; eradicate the gender bias in the Board; achieves sustainable and balanced performance and development ;support the attainment of strategic objectives & also ensures compliance of applicable law/s and good corporate practices.

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

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

Key Managerial Personnel who were appointed or have resigned during the year

In compliance with Section 203 of the Companies Act, 2013, no Key Managerial Personnel have been appointed or have resigned during FY 2017.

Management Discussion and Analysis

The Management Discussion and Analysis Report for the year under review as stipulated under the listing agreement with the stock exchanges in India is presented in a separate section forming part of this Annual Report.

Loans, guarantees or investments in securities

Pursuant to Section 186 (11) of the Companies Act, 2013, the provisions of Section 186 of Companies Act, 2013, except sub-section (1), do not apply to a loan made, guarantee given or security provided by a banking company in the ordinary course of business. The particulars of investments made by the Bank are disclosed in Schedule 8 of the Financial Statements as per the applicable provisions of Banking Regulation Act, 1949.

Internal Complaints Committees

Bank had constituted Internal Complaints Committees, 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 Committees is as follows:

- a) No. of complaints received for the year FY2017: 0
- b) No. of complaints disposed of during FY 2017 : 0
- c) No. of cases pending for more than 90 days : Nil
- d) Nature of action taken by the employer/ District Officer: NA

Board evaluation

Pursuant to the provisions of the Companies Act, 2013 and Regulation 17(10) and other applicable regulations of the Listing Regulations, 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 Nomination, Remuneration, Ethics and Compensation Committee carried out the performance evaluation of all the Directors of the Bank. The Directors expressed their overall satisfaction with the evaluation process.

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

Criteria for Evaluation include:

- i) Achievements of performance against targets set ii) Appraises the Board regarding the organization's financial position and operational budget so as to enable the Board to make informed financial decisions iii) Provides Leadership in developing strategies and organizational plans with the management and the Board of Directors iv) Ensures that the Board is kept informed about

all issues concerning the Bank v) Media interaction and ability to project positive image of the Company vi) Effectively pursue the performance goals in relation to mission and objective of the organization vii) Motivating employees, providing assistance & directions

viii) Supervising & Safeguard of confidential information ix) Establishment of internal control processes, monitoring policies and encouraging suggestions x) Cultivates effective Relationship with Industry Forums, Community and business leaders, Regulatory Bodies and Public Officials.

Evaluation Outcome

i) Attendance of MD & CEO and EDs at the Board and Committee meetings was good; ii) They present financial reports to the Board on a regular basis and submits an annual budget for Board review, revision and approval; iii) They regularly appraise the Board on the organization's financial position and operational budgets that aids the Board to make informed financial decisions; iv) The Executives constantly endeavor to enhance internal control processes, monitor execution of policies and are very receptive to suggestions. v) The MD & CEO has adequate qualities of leadership in developing strategy & execution for achieving them vi) The MD & CEO and EDs adequately endeavor to Implement Board decisions and are very strong in media interactions and have put in efforts in building and reinforcing the Brand and Image of the Bank. vii) MD & CEO demonstrates his commitment to the Organisation goals, is ethical, motivates & guides employees for better performance. viii) His personal rapport and good relationship with industry forums / regulatory bodies, etc are highlights and testimony of the respect and prominence of Federal Bank in the Indian banking landscape.

II) Performance Evaluation of Independent Directors including Chairman

Criteria for evaluation 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) Contributes to discussions on strategy as opposed to focus only on agenda iv) Participate constructively and actively in the Committees of the Board in which they are chairpersons or Members v) Exercises his/her skills and diligence with due and reasonable care and brings an independent judgement 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: a) How the person fares across different competencies as identified for effective functioning of the entity and the Board b) Whether the person has sufficient understanding and knowledge of the entity and the sector in which it operates viii) Whether the person demonstrates highest level of

integrity, including conflict of interest disclosures, maintenance of confidentiality, etc

Evaluation Outcome

The evaluation done, brought out the fact that good attendance of Independent Directors was there in the Board and committee meetings. They are knowledgeable, ethical and bring their respective expertise in the deliberations and make valuable contributions. They have adequate understanding of their role and responsibilities as Independent directors. The Independent Directors also demonstrates highest level of integrity, including conflict of interest disclosures and maintenance of confidentiality. It was also noted that the Independent Directors exercises his/her skills and diligence with due and reasonable care and brings an independent judgement to the Board and also the Directors remains abreast of developments affecting the company and external environment in which it operates.

III) Performance Evaluation of Board and Committees

A. Criteria for Evaluation of Board include:

If Board is of appropriate size and has the appropriate balance and diversity of background, business experience, industry knowledge, skills and expertise in areas vital to the Bank's success, representing sectors laid down by the regulators, given its current and future position ii) New Board members participate in an orientation program to educate them on the organization, their responsibilities, and the organization's activities, the Board encourages a culture that promotes candid communication iii) The Board oversees management's procedures for enforcing the organization's code of conduct, Action Taken Reports on the discussion/directions of the Board are submitted at regular intervals to the Board iv) The Board oversees risk management through inputs from the Risk Management Committee v) The Board considers the quality and appropriateness of financial reporting, including the transparency of disclosures vi) The Board ensures compliance with the relevant provisions of the Companies Act and other regulatory provisions as applicable to the Bank vii) The Board oversees the compliance processes viii) The Board views the organization's performance from the competitive perspective - industry and peers performance, industry trends and budget analysis and with reference to areas where significant differences are apparent etc. ix) The Board ensures compliance with the relevant provisions of the Companies Act and other regulatory provisions as applicable to the Company. x) The Board has defined an effective Code of Conduct for the Board and Senior Management.

xi) Whether the Board monitors and manages potential conflicts of interest of management, members of the board of directors and shareholders, including misuse of corporate assets and abuse in related party transactions

B. Criteria for Evaluation of Committees include:

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

Evaluation Outcome of Board/Committees

- i) The structure and composition of the Board is appropriate with adequate number of Directors and a good balance of diverse professional backgrounds, business experience, industry knowledge, skills and expertise in areas vital to the Bank's success in its current and future position;
- ii) The proportion of independent to non-independent directors is good;
- iii) The Board demonstrates integrity, credibility, trustworthiness, active and effective participation at Board & Committee meetings which are held at reasonable and regular intervals;
- iv) The Board and Committee processes and procedures are good with different committees reviewing different functional areas of the Bank's operations.
- v) The Board and its Committees also reviews Bank's performance, risk management, financial reporting, compliances, technology, operations with adequate frequency of meetings etc.

IV) Assessment of flow of information**Criteria for Evaluation include:**

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

Evaluation Outcome

The flow of information to the Board and its committees is generally good.

Evaluation of Senior Management Personnel in the Bank

The compensation paid out to KMP is divided into two components . The fixed compensation is to be determined based on the industry standards, the exposure, skill sets, talent and qualification attained by the official over his/her career span.

The variable compensation to Senior Executives (Non – IBA package) to be fixed based on organizational performance and KPAs set for the official. The organization's performance is charted

based on the Revenue Point Index / Performance Scorecard which takes into account various financial indicators like revenue earned, cost deployed, profit earned, NPA position and other intangible factors like leadership and employee development. Variable pay are paid purely based on performance. Key Performance Indicators (KPAs) to contain targets on Risk Adjusted Metrics such as RAROC, RARORAC, in addition to target on NPAs. An ED level Committee has been constituted for reviewing the linkage of risk based performance with remuneration, for employees above Level 5. The Committee with the assistance of Risk Department & HR will study the business and industry environment, analyze and categorize the risks into immediate and long term and streamline the components of the compensation plan like proportion of the total variable compensation to be paid to Senior Employees so as to ensure financial stability of the organization. These committees would also analyze various factors to ascertain whether cost/income ratio supports the remuneration package provided to Senior Executives and other officials consistent with maintenance of sound capital adequacy ratio.

Meetings

During the year eleven Board 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 and also as per the Listing Regulations.

Related Party Transactions

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

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

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

Business Responsibility Report

As stipulated in the Listing Regulations the Business Responsibility Report describing the initiatives taken by the Bank from environmental, social and governance perspective forms part of the Annual Report. Business Responsibility Report as stipulated under Regulation 34 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 has been hosted on the website of the Bank (<https://www.federalbank.co.in/shareholder-information>) Any Member interested in obtaining a physical copy of the same may write to the Company Secretary at the Registered Office of the Bank.

Technology and digital updates and measures taken in IT governance, Information security, IT audit, IT operations, IT services outsourcing

Technology and Digital updates:

During the financial year under review, your Bank focused extensively on Digital Banking. In line with the nation's drive towards Digital India, the Bank introduced a range of innovative products in the Digital Banking arena. A few examples are:

a) BYOM or Be Your Own Master

Federal Bank BYOM is a step towards redefining the way of retail lending in banking. Through BYOM a customer can avail a personal loan anytime, anywhere, available 24*7. Through this product customer gets the loan amount credited to his/ her operative account instantly within seconds. This facility neither requires a customer to visit a branch nor does require signature on any documents. BYOM is a web application that can be accessed on a computer or tablet or mobile device.

We have seen tremendous response to the product within hours of the launch of the product. The offers are given to the customer periodically during festive seasons. The product has been widely accepted by our customers, which has resulted in an incremental growth of this portfolio. Considering the immense potential the product offers, we look forward to utilize the platform to include more customers. The engine is capable of processing other retail loans, online consumer finance and can also integrate with online web/ mobile applications, making it versatile.

b) 4TiGO

Federal Bank associated with a Fintech startup company 4TiGO for developing a UBER type technology platform for trucks. 4TiGO developed a mobile platform which is expected to transform the industrial logistics ecosystem for greater efficiency and effectiveness by creating a networked community of fleet owners, Transport agents, brokers, truckers and transport companies.

Now Agents, Consigner, Consignees, Fleet owners can become the part of a mobile network and people can online book their shipments and pay when the shipment reaches the destination.

The app handles the complete dynamics of transport and your Bank is providing the technology for 4TiGO to handle the complex end to end financial transactions.

c) UPI and Merchant Services

Unified Payments Interface (UPI) is a system that powers multiple bank accounts into a single mobile application (of any participating bank), merging several banking features, seamless fund routing & merchant payments into one hood. It also caters to the "Peer to Peer" collect request which can be scheduled and paid as per requirement and convenience.

With the above context in mind, NPCI conducted a pilot launch with a few member banks. The pilot launch was on 11th April 2016 by Dr. Raghuram G Rajan, Governor, RBI at Mumbai. Banks have started to upload their UPI enabled Apps on Google Play store from 25th August, 2016 onwards.

Your Bank is proud to become one among the banks which piloted a UPI PSP app as per the mandates of NPCI so be a part of the historical UPI network, which is supposed to change the whole concept of payment in the country. India is the only country with such a unique inter-operable payment technology which can help billions of Indians to connect to a common payment network called UPI. LOTZA is available for download in Playstore.

Federal Bank's Lotza UPI Merchant services were launched by the Bank to support merchants go digital by connecting to the UPI platform. Lotza scan and pay, which is one among the Lotza UPI merchant services, helps small merchants to accept payments from any UPI based mobile app like BHIM or Lotza by just scanning the QR code displayed at the shop. The shopkeeper gets an instant SMS confirmation, once payment is received. For larger merchants, there are two products, one is the Lotza - Merchant app which can generate a dynamic QR code and the customers can just scan the QR and make the payment using BHIM/Lotza or any other UPI app. The app notifies the merchant or cashier upon receipt of the payment. This is useful in supermarkets, restaurants, fuel stations etc. Then Bank has uPOS, which is an alternative to the traditional POS machine that can generate a printed receipt upon a successful transaction. This offering is an important innovation from the Bank which will be soon integrated with Aadhaar Enabled Payment Service enabling payments using Aadhaar number and fingerprint.

d) FedBook Selfie-Lite

FedBook Selfie-lite is the latest version of the Bank's instant account opening mobile app FedBook Selfie. The new version allows customers to open and operate new Bank account instantly. FedBook Selfie has revolutionized the way customers open their Savings Bank accounts now. The app uses the Aadhaar OTP based e-KYC service to authenticate the customer and open the account. The app converts automatically into an electronic passbook once the customer successfully completes account opening. The app

was launched post demonetization with a view to help citizens of the country to open accounts with much ease, without the need to visit a Bank branch.

e) Fed e-POS

e-POS is an innovative payment system that helps merchants to accept payments through cards/net banking without a physical POS (Point Of Sale) terminal. Demonetization resulted in massive demand for POS machines in the country. However, there is a demand-supply mismatch and as a result, merchants find it difficult to get hold of a POS machine. e-POS as an innovation helps merchants to accept payments using debit/credit cards.

Merchants who wish to use this facility can register in the e-POS portal of Federal Bank. After registration, merchants can use this platform to bill a customer by capturing Mobile Number of the customer, Bill Amount and Bill Number. Once submitted, the customer receives an SMS with instructions to make payment. Customers can use the link available in the SMS to make payments using his debit/credit card or net banking.

The financial year also saw the Bank upgrade the Core Banking Solution (CBS) and move to a higher version of Finacle. This investment in the latest technology in the industry puts your Bank in a strong position to drive towards higher automation and straight through processing while at the same time, enhances the ability to leverage new technology like block chain, artificial intelligence and robotics process automation.

Information Technology (IT) Governance:

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

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

The governance of IT is effectively supervised by the Board of Directors through the IT & Operations Sub-Committee of the Board. The IT & Operations Committee, that meets on a quarterly basis, is chaired by an independent Non Executive Director and has 2 Non Executive Directors as members, along with the MD & CEO. All members of the Committee have extensive experience in IT & Operations and are able to provide effective guidance and direction to the management team.

Executive level committees 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.

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

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

AUDITORS

Statutory Audit

M/s. B S R & Co. LLP, Chartered Accountants, Mumbai, together with M/s M M Nissim & Co, Chartered Accountants, Mumbai, carried out the statutory central audit of the Bank during Financial Year 2016-17. Additionally 1231 number of branches/offices were subjected to branch statutory audit by various branch auditors appointed by the Bank. The statutory central/branch auditors audited all the branches and other offices of the Bank, except 1 branch which was unaudited. The resolution for the appointment of M/s. B S R & Co. LLP, Chartered Accountants, Mumbai, together with M/s M M Nissim & Co, Chartered Accountants, Mumbai, as the Joint Central Statutory Auditors of the Bank from the conclusion of the 86th Annual General Meeting till the conclusion of 87th Annual General Meeting is placed in the Notice to shareholders for AGM.

Secretarial Audit

The Board had in its meeting dated 22 December 2016, appointed M/s. SVJS & Associates, Practicing Company Secretaries, to undertake the Secretarial Audit of the Bank during the Financial Year ended 31 March 2017, in compliance with the provisions of Section 204 of the Companies Act, 2013 and The Companies

(Appointment and Remuneration of Managerial Personnel) Rules, 2014. The Secretarial Audit Report is annexed herewith as "Annexure V".

Awards and Accolades

Your Bank has won various awards and accolades in the Financial Year 2016-17 also. Technology and digital has taken centre stage and your Bank continues to focus on innovation with customer convenience.

For the innovative online loan platform BYOM (Be Your Own Master), your Bank has won SKOCH Smart Technologies Gold Award in 2016. Your Bank has also won the MasterCard Innovation Awards 2016 under the categories 'Debit Cards Initiatives' and 'Acquiring Business Initiatives'. The Bank won the award in the 'Debit cards Initiatives' category for the launch of Soft PIN service, which enables the Bank's customers to set PIN for their debit cards through any of the bank's ATMs thus enabling them to activate their cards even without visiting the branch. Your Bank was also adjudged the winner in the 'Acquiring Business Initiatives' category for the Easy Payments Fee Payment portal, which facilitates any institution that subscribes to the service to accept online remittances apart from the normal branch remittance. Your Bank was awarded as 'The Best Performed Old Private Sector Bank in Kerala for the year 2015-16' by State Forum of Bankers Club Kerala. On HR front your Bank has received the prestigious 6th Annual Greentech HR Award for "Technology Excellence in HR". This award is a recognition for various technological HR platforms like FAME, Fed E HRM, HR Direct & Fed Campus.

Energy conservation, technology absorption, foreign exchange earnings and outgo

The Bank has undertaken various initiatives for energy conservation at its premises, further details are given under Principle 6 of Section E of the Business Responsibility Report. The Bank prides itself on continuous investment in technology upgrades that are designed to deliver cost effective best in class customer service. The Bank has used information technology extensively in its operations, for more details please refer the section on Technology and Digital Updates portion forming part of Directors report. Through its export-financing operations, the Bank supports and encourages the country's export efforts.

Extract of Annual Return

Pursuant to sub-section (3) of Section 92 of the Companies Act, 2013 read with Rule 12 of the Companies (Management and Administration) Rules, 2014, the details forming part of the extract of the Annual Return as at March 31, 2017 in form MGT 9 is annexed herewith as **Annexure III**.

Particulars of Employees

The statement containing particulars of employees as required under Section 197(12) of the Companies Act, 2013 read with Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 as amended forms part of this report as **Annexure I**.

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 VI**.

Stock Exchange Information

The Bank's Equity Shares are listed on:

1. BSE Limited, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001 and
2. National Stock Exchange Ltd. "Exchange Plaza", Bandra - Kurla Complex Bandra East, Mumbai - 400 051.
3. The GDRs issued by the Bank are listed on the London Stock Exchange.

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

Director's Responsibility Statement

In accordance with Section 134(3)(c), 134(5) of the Companies Act, 2013, your Directors state that:

- (a) in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (b) the directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Bank as at the end of financial year 2017 and profit and loss account for that period.
- (c) the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Bank and for preventing and detecting fraud and other irregularities.
- (d) the directors have prepared the annual accounts on a going concern basis.
- (e) the directors have laid down the internal financial controls followed by the Bank and that such internal financial controls are adequate and are operating effectively.
- (f) the directors have devised proper systems to ensure compli-

ance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

Acknowledgement

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

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

For and on behalf of the Board of Directors

Aluva
07 June 2017

K M Chandrasekhar (DIN 06466854)
Chairman of the Board

Annexures

Annexure I

Statement containing particulars of employees as required under Section 197(12) of the Companies Act, 2013 read with Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014

Name, Qualification and Age (in years)*	Designation	Remuneration (in ₹)		Experience (in years)	Date of commencement of employment And Nature of Employment, whether contractual or otherwise	Last employment
		Gross	Net#			
Mr. Shyam Srinivasan, B.E., P.G.D.M (IIM, Kolkata), 55 years	Managing Director & CEO	11376046	4951082	31 years	23rd September 2010	Head (Consumer Banking-India), Standard Chartered Bank
Mr. Ashutosh Khajuria, B.Sc (Physics), LL.B, M.A. (Economics), CAIIB, DTIRM, 56 years	Executive Director & Chief Financial Officer	8071271	1289346	38 years	28th January 2016	CGM & Head of Treasury, IDBI Bank Limited
Mr. Ganesh Sankaran, B.E. Electronics (Honours), MBA-Finance, 47 years	Executive Director	8460276	3889370	22 years	16th September 2015	Co-Head, Corporate Banking, HDFC Bank Limited
Ms. Shalini Warriar B.Com, CA 51 Years	Chief Operating Officer	6699600	3971258	27 Years	02nd November 2015	Regional Service Delivery & Head of Consumer Banking, Standard Chartered Bank
Mr. Mohanachandran K R [@] MA (Economics), CAIIB 60 Years	Retired Chief General Manager & Chief Risk Officer	6352018	3897415	37 years	25th June 1979	Was employed with Federal Bank only
Mr. Varghese K I [^] M.Com, LLB, CAIIB 60 Years	Retired Chief General Manager & Head Network I	6215819	3696911	39 Years	21st June 1977	Was employed with Federal Bank only
Mr. Sumit Kakkar BE (Mechanical), Master of Finance control 46 Years	Chief Credit Officer	5576864	3233388	19 Years	29th August 2016	Group President – Risk, Yes Bank
Late Mr. Antu Joseph B.Sc, DBM, JAIIB, MMS 59 Years	Was General Manager	5137815	3806934	38 Years	15th June 1978	Was employed with Federal Bank only
Mr. Thampy Kurian [%] B.Com, JAIIB 60 Years	Retired General Manager & HR Head	4993135	3465199	40 Years	08th July 1976	Was employed with Federal Bank only
Mr. Madhu Mohan A M ^{!-} B.Com, JAIIB 60 Years	Retired Additional General Manager	4792969	3236040	38 years	08th July 1978	Was employed with Federal Bank only

Net of Taxes paid

*- The above mentioned personnel are not related to any Director of the Bank

@- Retired on 30/11/2016

^ - Retired on 30/11/2016

%- Retired on 31/10/2016

!- Retired on 31/11/2016

ESOS DETAILS
Annexure II

Sl. no.	Particulars	ESOP 2010 Granted On April 09,2011	ESOP 2010 Granted On June 02,2011	ESOP 2010 Granted On June 16,2011	ESOP 2010 Granted On Nov 05,2012	ESOP 2010 Granted On Sept 12,2013	ESOP 2010 Granted On Sept 12,2014	ESOP 2010 Granted On Sept 18,2015	ESOP 2010 Granted On Nov 16, 2015	ESOP 2010 Granted On Aug 29,2016	ESOP 2010 Granted On Oct 25,2016	ESOP 2010 Granted On Nov 03,2016	ESOP 2010 Granted On Nov 03,2016
1	No. of options Granted	3,31,20,200	10,00,000	6,00,000	2,44,84,750	2,60,94,250	1,11,56,450	6,25,000	4,00,000	2,25,000	2,00,000	2,40,000	3,00,000
2	No. of options issued	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
3	Pricing Formula	The exercise price considered is the closing market price as on the day preceding the date of the grant, at the stock exchange which has had the maximum trading volume of the Bank's share.											
4	No. of options vested & Exercisable	2,00,11,879	10,00,000	6,00,000	1,37,13,301	84,23,386	38,69,130	-	-	-	-	-	-
5	No. of Options exercised	83,49,571	-	-	21,67,859	28,30,064	2,16,910	-	-	-	-	-	-
6	No. of shares arising as a result of exercise of Options	83,49,571	-	-	21,67,859	28,30,064	2,16,910	-	-	-	-	-	-
7	Options lapsed	47,58,750	-	-	33,75,850	39,15,190	10,28,470	-	-	-	-	-	-
8	Variation in terms of Options	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
9	Money realized by exercise of options	35,12,66,452	Nil	Nil	10,27,56,517	8,10,24,732	1,34,48,420	Nil	Nil	Nil	Nil	Nil	Nil
10	Total Number of Options in force	2,00,11,879	10,00,000	6,00,000	1,89,41,041	1,93,48,996	99,11,070	6,25,000	4,00,000	2,25,000	2,00,000	2,40,000	3,00,000
11	Employee wise details of Options granted to	-	-	-	-	-	-	-	-	-	-	-	-
	a) Senior Managerial Personnel	-	-	-	-	-	-	-	-	-	-	-	-
	MD & CEO - Shyam Srinivasan	51,31,000	-	-	12,82,750	12,82,750	12,82,750	-	-	-	-	-	-
	Executive Director - P C John	1,01,250	-	-	1,50,000	-	-	-	-	-	-	-	-
	Executive Director - Abraham Chacko	-	10,00,000	-	6,50,000	6,50,000	-	-	-	-	-	-	-
	Executive Director - Ashutosh Khajuria	-	-	6,00,000	4,00,000	4,00,000	-	-	-	-	-	-	-
	Ganesh Sankaran Executive Director -	-	-	-	-	-	-	6,25,000	-	-	-	-	3,00,000
	Chief Operating Officer - Shalini Warriar	-	-	-	-	-	-	-	4,00,000	-	-	-	-
	Chief Credit Officer - Sumit Kakkar	-	-	-	-	-	-	-	-	2,25,000	-	-	-
	Head Corporate Banking - Harish Dugar	-	-	-	-	-	-	-	-	-	2,00,000	-	-
	b) Any other employee who receives a grant in any one year of Options amounting to 5% or more of the options granted during the year	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Sl. no.	Particulars	ESOP 2010 Granted On April 09,2011	ESOP 2010 Granted On June 16,2011	ESOP 2010 Granted On June 05,2012	ESOP 2010 Granted On Sept 12,2013	ESOP 2010 Granted On Sept 12,2014	ESOP 2010 Granted On Sept 18,2015	ESOP 2010 Granted On Nov 16, 2015	ESOP 2010 Granted On Aug 29,2016	ESOP 2010 Granted On Oct 25,2016	ESOP 2010 Granted On Nov 03,2016	ESOP 2010 Granted On Nov 03,2016
	c) Identified employees who were granted options, during any one year equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant.	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
12	Diluted Earnings Per Share (EPS) of the Bank after considering the effect of potential equity shares on account of exercise of Options	₹ 4.76 per share										
13	Impact of the difference between the Intrinsic Value of the Options and the Fair Value of the Options on Profits and on EPS	Had the Bank adopted the fair value method (based on Black-Scholes pricing method) for pricing and accounting options, Net profit after tax would have been lower by ₹ 912.26 lacs for FY 2016-17.										
		Basic EPS – ₹ 4.78 per share										
		Diluted EPS – ₹ 4.72 per share										
14	Weighted average exercise prices of options											
	i. whose exercise price equal to market price	₹ 43.20										
	ii. Exercise price is greater than the Market price	Nil										
	iii. Exercise price is lower than the Market price	₹ 72.45										
	Weighted average fair value of options											
	i. whose exercise price equal to market price	₹ 15.60										
	ii. Exercise price is greater than the Market price	Nil										
	iii. Exercise price is lower than the Market price	₹ 33.84										
15	The Securities and Exchange Board of India ('SEBI') has prescribed two methods to account for stock grants: (i) the intrinsic value method; (ii) the fair value method. The Bank adopts the intrinsic value method to account for the stock options it grants to the employees. The Bank also calculates the fair value of options at the time of grant, using Black-Scholes pricing model with the following assumptions:											
	i. Risk Free interest rate	7.50%	8.25%	8.00%	8.50%	8.50%	7.50%	7.50%	7.00%	7.00%	7.00%	7.00%
	ii. Expected life	3 years to 4.5 years	3 years to 4.5 years	3 years to 4.5 years	3 years to 4.5 years	3 years to 4.5 years	3 years to 4.5 years	3 years to 4.5 years	3 years to 4.5 years	3 years to 4.5 years	3 years to 4.5 years	3 years to 4.5 years
	iii. Expected volatility	20%	20%	20%	50%	50%	50%	50%	50%	50%	50%	50%
	iv. Expected Dividends	1.50%	1.50%	1.50%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
	v. The price of the underlying share in market at the time of grant of option (in ₹)	42.07	44.97	47.40	28.63	62.00	60.35	53.70	66.55	75.00	79.45	72.45

Annexure III

**Extract of Annual Return
as on the financial year ended 31.03.2016**

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

FORM NO. MGT - 9

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

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

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

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

III. PARTICULARS OF SUBSIDIARY AND ASSOCIATE COMPANIES –

Sl. No	Name and address of the Company	CIN/GLN	Holding / subsidiary/ associate	% of Shares held	Applicable Section
1.	Fedbank Financial Services Limited	U65910KL-1995PLC008910	Subsidiary	100%	2(87)
2.	IDBI Federal Life Insurance Company Limited	U66010MH-2007PLC167164	Associate	26%	2(6)

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

(i) Category-wise Shareholding

Category of Shareholder		No. of shares held at the beginning of the year (as on 01.04.2016)			% of Total Shares	No. of shares held at the end of the year (as on 31.03.2017)			% of Total Shares	% Change during the year
		Demat	Physical	Total		Demat	Physical	Total		
A	SHAREHOLDING OF PROMOTER AND PROMOTER GROUP									
(1)	Indian									
a	Individual/Hindu Undivided Family	0	0	0	0.00	0	0	0		
b	Central Government /State Government(s)	0	0	0	0.00	0	0	0		
c	Bodies Corporate	0	0	0	0.00	0	0	0		
d	Financial Institutions/Banks	0	0	0	0.00	0	0	0		
e	Any other(specify)	0	0	0	0.00	0	0	0		
	SUB TOTAL A (1)	0	0	0	0.00	0	0	0		
(2)	Foreign									
a	Individual(Non Resident/Foreign Individuals)	0	0	0	0.00	0	0	0		
b	Bodies corporate	0	0	0	0.00	0	0	0		
c	Institutions	0	0	0	0.00	0	0	0		
d	Any other(specify)	0	0	0	0.00	0	0	0		
	SUB TOTAL A (2)	0	0	0	0.00	0	0	0	0.00	

Cat-egory of Share-holder		No. of shares held at the beginning of the year (as on 01.04.2016)				No. of shares held at the end of the year (as on 31.03.2017)				% Change during the year
	Total Shareholding of promoter and Promoter Group(A)=A(1)+A(2)	0	0	0	0.00	0	0	0		
B	Public Shareholding									
(1)	Institutions									
a	Mutual Funds/UTI	438090968	95780	438186748	25.49	447733466	95780	447829246	25.98	
b	Financial Institutions/Banks (Including Foreign Banks)	44537428	129500	44666928	2.60	43000105	129500	43129605	2.50	
c	Central Government/State Government(s)	10	0	10	0.00	10	0	10	0.00	
d	Venture Capital Funds	0	0	0	0.00	0	0	0		
e	Insurance Companies	31460000	0	31460000	1.83	29440000	0	29440000	1.71	
f	Foreign Institutional Investors	658832499	330250	659162749	38.35	660589152	330250	660919402	38.34	
g	Foreign Venture Capital Investors	0	0	0	0.00	0	0	0		
h	Any other(specify)	0	0	0	0.00	0	0	0		
	Alternative Investments	1325000	0	1325000	0.08	2447081	0	2447081	0.14	
	SUB TOTAL B(1)	1174245905	555530	1174801435	68.35	1183209814	555530	1183765344	68.66	0.32
(2)	Non-Institutions									
a	Bodies Corporate (Including NB-FCs)	100613337	740770	101354107	5.90	64987702	644520	65632222	3.81	
b	Individuals(Resident/NRI/Foreign National)	0	0	0	0.00	0	0	0		
(i)	Individual shareholders holding Nominal share Capital upto ₹1 Lakh	163811422	34278622	198090044	11.52	178765791	32760402	211526193	12.27	
(ii)	Individual shareholders holding Nominal share Capital above ₹1 Lakh	160732947	3424440	164157387	9.55	183143176	3371130	186514306	10.82	
c	Any other(specify)									
i	Limited Liability Partnership	312642	0	312642	0.02	1533928	0	1533928	0.09	
ii	Trust	8085851	67800	8153651	0.47	10665453	67800	10733253	0.62	
iii	Overseas Corporate Bodies	0	6000	6000	0.00	0	6000	6000	0.00	
iv	Foreign National / QFI	0	0	0	0.00	0	0	0		
v	Foreign Body Corporate	38666612	0	38666612	2.25	25122386	0	25122386	1.46	
vi	Clearing Member	5354998	0	5354998	0.31	8005921	0	8005921	0.46	
	SUB TOTAL B(2)	477577809	38517632	516095441	30.02	472224357	36849852	509074209	29.53	0.00
	Total Public Share Holding (B)=B(1)+B(2)	1651823714	39073162	1690896876	98.37	1655434171	37405382	1692839553	98.19	
	TOTAL (A)+(B)	1651823714	39073162	1690896876	98.37	1655434171	37405382	1692839553	98.19	
C	Shares held by Custodians for GDRs and ADRs	28049968	0	28049968	1.63	31205861	0	31205861	1.81	
	Grand Total (A)+(B)+(C)	1679873682	39073162	1718946844	100.0	1686640032	37405382	1724045414	100.00	

(ii) Shareholding of Promoters

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

(iii) Change in Promoters Shareholding

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

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

SI No.	For Each of the Top 10 Shareholders	Shareholding at the beginning of the year (1 April ,2016)		Shareholding at the end of the year (31 March,2017)	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1	WARHOL LIMITED ##	84723038	4.93	NIL	0.00
2	AMANSA HOLDINGS PRIVATE LIMITED	73816854	4.29	73000000	4.23
3	YUSUFFALI MUSALIAM VEETIL ABDUL KADER .	63153640	3.67	63153640	3.66
4	FRANKLIN TEMPLETON INVESTMENT FUNDS	62748886	3.65	52382941	3.04
5	EAST BRIDGE CAPITAL MASTER FUND LIMITED	44569240	2.59	48345447	2.80
6	LIFE INSURANCE CORPORATION OF INDIA	37934760	2.21	37934760	2.20
7	INTERNATIONAL FINANCE CORPORATION	37926414	2.21	24383914	1.41
8	BANK MUSCAT S A O G A/C BANKMUSCAT INDIA FUND	33421210	1.94	33351210	1.93
9	GENERAL INSURANCE CORPORATION OF INDIA	30000000	1.75	27800000	1.61
10	DEUTSCHE BANK TRUST COMPANY AMERICAS	28049968	1.63	31205861	1.81
11	GOVERNMENT PENSION FUND GLOBAL	17160250	1.00	46111582	2.67

Note:
 1. The shares of the Bank are substantially held in dematerialized form, and are traded on a daily basis and hence the date wise increase/decrease in shareholding is not indicated. The top ten shareholders as on 31st March 2017 is considered.
 2. ## The mentioned shareholder was in top ten category in previous year and does not come under top ten as on 31st March 2017.

V. Shareholding of Directors and Key Managerial Personnel

Sl No.	For Each of the Directors and KMP	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1.	Mr. Shyam Srinivasan, MD &CEO				
	Shareholding at the beginning of the year(as on 01.04.2016)	71500	0.004	71500	0.004
	Increase(purchase of ESOS shares on 18.04.2016)*	1,28,500	0.007	1,28,500	0.007
	Shareholding at the end of the year(as on 31.03.2017)	2,00,000	0.011	2,00,000	0.011
2.	Mr. Ashutosh Khajuria, ED & CFO				
	Shareholding at the beginning of the year(as on 01.04.2016)	42,000	0.002	42000	0.002
	Date wise Increase/Decrease in shareholding during the year	NIL			
	Shareholding at the end of the year(as on 31.03.2017)	42,000	0.002	42000	0.002
3.	Mr. Girish Kumar G, Company Secretary				
	Shareholding at the beginning of the year (as on 01.04.2016)	0	0	0	0
	Increase(purchase of ESOS shares on 17.06.2016)	5200	0.0003	5200	0.0003
	Decrease (Sell of ESOS shares on 01.07.2016)	5200	0.0003	0	0
	Increase(purchase of ESOS shares on 27.07.2016)	5000	0.00029	5000	0.00029
	Decrease (Sell of ESOS shares on 05.08.2016)	5000	0.00029	0	0
	Increase(purchase of ESOS shares on 22.09.2016)	5400	0.00031	5400	0.00031
	Decrease (Sell of ESOS shares on 07.10.2016)	5400	0.00031	0	0
	Increase(purchase of ESOS shares on 18.11.2016)	7000	0.00041	7000	0.00041
	Decrease (Sell of ESOS shares on 27.01.2017)	7000	0.00041	0	0
	Increase(purchase of ESOS shares on 22.02.2017)	7000	0.00041	7000	0.00041
	Shareholding at the end of the year (as on 31.03.2017)	7000	0.00041	7000	0.00041

NOTE: 1. None of the Non-Executive Independent Directors of the Bank hold shares of the Bank as at beginning and at end of the year
4. *- as per the value approved by the Nomination Committee of the Board and paid by MD &CEO.

VI. INDEBTEDNESS

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

(₹ in Crores)

	Secured Loans excluding deposits	Unsecured Loans	Total Indebtedness
Indebtedness at the beginning of the financial year			
i) Principal Amount	318.12	1990.11	2308.23
ii) Interest due but not paid			
iii) Interest accrued but not due	0.06	28.66	28.72
Total (i+ ii+ iii)	318.18	2018.77	2336.95
Change in Indebtedness during the financial year			
• Addition	65188.36	36482.20	101671.23
• Reduction	64694.41	37239.88	101934.35
Net Change	493.95	-757.68	-263.12
Indebtedness at the end of the financial year			
i) Principal Amount	812.07	1232.43	2044.50
ii) Interest due but not paid			
iii) Interest accrued but not due	0.13	16.28	16.41
Total (i+ii+iii)	812.20	1248.71	2060.91

VII. Remuneration of Directors and Key Managerial Personnel
A. Remuneration to Managing Director, Whole – time Directors and / or Manager:

Sl. No	Particulars of Remuneration	Name of MD/WTD/Manager			Total Amount (in ₹)
		Mr. Shyam Srinivasan (MD & CEO)	Mr. Ashutosh Khajuria (ED & CFO)	Mr. Ganesh Sankaran	
	Gross salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	9916650	2000004	2000004	13916658
	Value of perquisites u/s 17(2) Income-tax Act, 1961	1459396	1014600	560268	3034264
	Profits in lieu of salary under section 17(3) Income-tax Act, 1961				
	Stock Option (granted during the year)	NIL	NIL		NIL
	Sweat Equity	NIL	NIL	NIL	
	Commission As % of profit Others, specify...	NIL	NIL	NIL	
	Others, please specify				
	i) Leave encashment		556667		556667
	ii) Personal Fixed pay		4500000	4500000	9000000
	iii) House Rent Allowance			1400004	1400004
	Total (A)	11376046	8071271	8460276	27907593
	Ceiling as per the Act	NA	NA	NA	

B. Remuneration to other Directors:

Sl. No	Particulars of Remuneration	Name of Directors								Total Amount (in ₹)
		Mr. KM Chandrasekhar	CA. Nilesh Vikamsey	Mr. Dilip Sadarangani	Mr. Harish Engineer	Ms. Grace Koshie	Ms. Shubhalakshmi Panse	Mr. C Balagopal	Mr. Sudhir Joshi#	
	1. Independent Directors									
	• Fee for attending board and committee meetings	1,635,000	20,10,000	1,805,000	1,190,000	1,950,000	1,780,000	1,170,000	1,400,000	15,360,833
	• Commission									
	• Others, please specify		2420833							
	(Remuneration with RBI approval)									
	Total (1)	1,635,000	4430833@	1,805,000	1,190,000	1,950,000	1,780,000	1,170,000	1,400,000	15,360,833
	Sweat Equity									
	2. Other Non – Executive Directors									
	• Fee for attending board committee meetings									
	• Commission									
	• Others, please specify									
	Total (2)									
	Total (B) = (1+2)	1,635,000	4430833@	1,805,000	1,190,000	1,950,000	1,780,000	1,170,000	1,400,000	15,360,833
	Total Managerial Remuneration									
	Overall Ceiling as per the Act									

Note: @ An amount of ₹ 1.25 lakhs per month paid as remuneration with the approval of Board and RBI during the year to Mr. Nilesh Vikamsey, who was the Chairman of the Bank upto February 28, 2017 in addition to sitting fees for attending Board /Committee meetings. It also includes an amount of ₹ 10,45,833 paid to Mr. Nilesh Vikamsey as remuneration for the period 20.06.2015 to 29.02.2016 after getting the approval of RBI vide letter no. DBR.Appt.No.11006/08.38.001/2015-16 dated March 02, 2016.

- Mr. Sudhir Joshi retired from the Board of the Bank w.e.f 28th February 2017.

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

Sl. No	Particulars of Remuneration	Name of Key Managerial Personnel	Total Amount
		Girish Kumar Ganapathy (SVP CUM COMPANY SECRETARY)	
1.	a) Gross salary Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	2108895.20	3011943.20
	b) Value of perquisites u/s 17(2) Income-tax Act, 1961	903048.00	
	c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961		
2.	Stock Option (granted during the year)		
3.	Sweat Equity		
4.	Commission		
	As % of profit		
	Others, specify		
5.	Others , please specify		
	Total	3011943.20	3011943.20

VIII. Penalties / Punishment/ Compounding of offences

(₹ in Lakhs)

Particulars	2016-17	2015-16
Penalty imposed on currency chests#	0.11	0.16
Penalty imposed for alleged failure in detecting and reporting attempted suspicious transactions related to Cobra post sting operation*	2.00	Nil

* Bank had filed appeal against the order before the Honorable Appellate Tribunal at New Delhi. Despite pendency of the appeal Recovery officer, FIU-IND has demanded the payment of the penalty amount. Hence the amount of Rs 2 lakhs paid on 10.08.16, subject to orders of Appellate Tribunal.

Penalty was imposed by RBI:

(a) As per the RBI Circular DCM(FNVD) No.776/16.01.15/2015-16 dated August 26,2015 and

(b) Fake Indian Currency Note (FICN) detected in the soiled note remittance.

Annexure IV**1. The Composition of the CSR Committee****CSR Committee of the Board**

Every company having net worth of rupees five hundred crore or more, or turnover of Rupees One Thousand Crore or more or a net profit of Rupees Five Crore or more during any financial year shall constitute a Corporate Social Responsibility Committee of the Board, consisting of three or more directors, out of which at least one director shall be an independent director. CSR Committee of the Board consists of three independent directors, MD & CEO and Executive Director of the Bank. The Committee consists of:

- Mr. Harish H Engineer
- Mr. K M Chandrasekhar
- Mr. C Balagopal
- Mr. Shyam Srinivasan
- Mr. Ashutosh Khajuria

2. 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.

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

Objectives of CSR

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

CSR Initiatives covered by the policy include:

1. Poverty alleviation
2. Education and skill development
3. Gender equality and welfare of senior citizen
4. Ensuring environmental sustainability and ecological balance
5. Protection of National Heritage
6. Benefit of Armed Force veterans
7. Promote rural, nationally recognized Paralympics and Olympic sports
8. Contribution to Prime Minister's National Relief Fund or any other funds set up by the Central Government.
9. Providing financial assistance to technology incubators
10. Development projects for rural and slum areas

The detailed policy on CSR of the Bank is published in the Bank's website and the web link to it is <http://www.federalbank.co.in/our-commitments>.

3. Net Profit before Tax of the Company for the last three financial years

Year	Net Profit (Before Tax)
2014	₹ 1211.99 Crores
2015	₹ 1521.04 Crores
2016	₹ 719.65 Crores

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

Average Net Profit calculated for three preceding financial years is ₹1150.89 Crores. Out of this 2% of Average Net Profit for three preceding financial years comes to ₹.23.02 Crores.

Details of CSR spent during the financial year

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Sl. No	CSR project or activity identified	Sector in which the project is covered	Projects or programs (1) Local area or other (2) Specify the State and district where projects or programs was undertaken	Amount outlay (budget) project or program wise (in Crores)	Amount spent on the projects or programs Sub heads: (1) Direct expenditure on projects or programs (2) Overheads (in Crores)-	Cumulative expenditure up to the reporting period (in Crores)	Amount Spent direct or through implementing agency
1	Education & Skill Building	Promoting Education, Vocational Skills	Pan India	12.08	11.98	19.58	Direct
2	Scholarships through Federal Bank Hormis Memorial Foundation	Promoting Education	Kerala, Tamilnadu	1.13	1.13	2.51	Federal Bank Hormis Memorial Foundation
3	Health Care & Safety	Healthcare, Preventive Healthcare,	Pan India	1.20	0.93	2.62	Direct

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Sl. No	CSR project or activity identified	Sector in which the project is covered	Projects or programs (1) Local area or other (2) Specify the State and district where projects or programs was undertaken	Amount out-lay (budget) project or program wise (in Crores)	Amount spent on the projects or programs Sub heads: (1) Direct expenditure on projects or programs (2) Overheads (in Crores)-	Cumulative expenditure up to the reporting period (in Crores)	Amount Spent direct or through implementing agency
4	Welfare & Poverty Alleviation	Eradicating hunger, poverty, setting up homes	Pan India	0.76	0.43	0.76	Direct
5	Environment Sustainability/ Swachh Bharat	Environment Conservation Swachh Bharat	Pan India	0.92	0.65	1.20	Direct
6	Rural Development	Rural & Social Development, welfare of SC/ST	Pan India	0.53	0.26	1.00	Direct
7	Miscellaneous			0.04	0.04	0.05	
	Total			16.66	15.42	27.71	

Corporate Social Responsibility is an area that can help, build value system among employees and make them feel part of social change. With this objective, the Bank had decided to involve staff members as part of our employee social responsibility initiatives. As part of this, welfare projects were successfully completed with the active participation of employees pan India on Founder's Day. Many other projects were successfully completed with the active participation of employees across the country. To meet the location specific requests emanating from the field, 20 % of the total CSR budget would be earmarked. Several major projects that can have long term impact were selected during the year; some of the major initiatives rolled out during the year were Speak for India Season 3 that touched more than 100000 students in Kerala, Karnataka & Maharashtra and gave a platform for many students to develop their communication skills and confidence levels. Bank started the Federal Skill Academy at Ernakulam and Coimbatore aimed at up skilling hundreds of youth in alignment with the Skill India Mission of the Government. In line with our commitment to conserve environment and natural resources, the Bank did a plastic free campaign in the ecologically sensitive Sabarimala and also partnered with Mathrubhumi for the SEED project. Apart from this we also supported several organizations across India who are engaged in Philanthropic/social activities. Our objective remains to associate with projects that help to uplift the downtrodden and the needy sections in the society and to passionately involve

in such activities that bring about obvious positive change in the society that will nurture and nourish the future generations and aim at creating significant difference in the overall socio-economic development and environment sustainability. Having spent 66% (amount spent ₹15.42 Crore) this year towards CSR as per section 135 of the Companies Act 2013, your Bank is committed to increase its CSR impact including the balance amount of ₹ 7.59 Crores. The amount earmarked for CSR in the corpus fund, CSR expenditure account, will be spent in the coming years by selecting projects that have long term sustainability. Bank has already sanctioned various CSR projects which are devised to give sustained support. Our objective through corporate social initiatives is to bring out marked difference in the upliftment of the society and the world we live in. Your Bank is passionately involved in such activities that create obvious positive change in the society and will nurture and nourish the future generations.

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

Sd/-	Sd/-
Shyam Srinivasan (Managing Director & Chief Executive Officer)	Harish H Engineer (Chairman CSR Committee)

Annexure V

Form No. MR-3

SECRETARIAL AUDIT REPORT FOR THE FINANCIAL YEAR ENDED 31.03.2017

[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 Ltd.
Federal Towers, P.B. No. 103
Always-683101

We, SVJS & 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 Ltd. [CIN: L65191KL1931PLC000368]** (hereinafter called the company). Secretarial Audit was conducted 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 Federal Bank Ltd.'s books, papers, minute books, forms and returns filed and other records maintained by the company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, We hereby report that in our opinion, the company has, during the audit period covering the financial year ended on 31.03.2017, complied with the statutory provisions listed hereunder and also that the Company 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 Federal Bank Ltd. ("the Company") for the financial year ended on 31.03.2017 according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made there under;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') 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 ('SEBI Act'):-

- 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 (Share Based Employee Benefits) Regulations, 2014.
 - d) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008
 - e) 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;
 - f) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (to the extent applicable);
- (vi) As informed to us, the following other laws are specifically applicable to the Company.
1. The Banking Regulation Act, 1949 and Banking Regulation (Companies) Rules, 1949.
 2. Reserve Bank of India Act, 1934.
 3. The Banking Ombudsman Scheme, 2006.
 4. The Bankers' Books Evidence Act, 1891.
 5. The Banking Companies (Period of Preservation of Records) Rules, 1985.
 6. The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act, 2002 and The Security Interest (Enforcement) Rules, 2002.
 7. The Prevention of Money-Laundering Act, 2002 and The Prevention of Money-Laundering (Maintenance of Records) Rules, 2005.
 8. The Industrial Disputes (Banking and Insurance Companies) Act, 1949.
 9. The Deposit Insurance and Credit Guarantee Corporation Act, 1961 and The Deposit Insurance and Credit Guarantee Corporation General Regulations, 1961.
 10. The Recovery of Debts Due to Banks and Financial Institutions Act, 1993.
 11. Credit Information Companies (Regulation) Act, 2005

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

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

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

We further report that

The Board of Directors of the Company 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, agenda and detailed notes on agenda were sent at least seven days in advance, 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.

All decisions of the board were unanimous and the same was captured and recorded as part of the minutes.

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

We further report that the Company has redeemed the following bonds during the audit period:

Sl.No.	Particulars	Maturity Date	Amount
1	9.25% Redeemable Tier II Bonds	16.12.2016	₹200 Crores

During the audit period there were no instances of:

- i. Public/Right/Preferential issue of shares / debentures/sweat equity;
- ii. Buy-back of securities;
- iii. Major decisions taken by the members in pursuance to Section 180 of the Companies Act, 2013;
- iv. Merger / amalgamation / reconstruction;
- v. Foreign technical collaborations.

This report is to be read with our letter of even date which is annexed as Annexure A and forms an integral part of this report.

For SVJS & Associates

Company Secretaries

sd/-

CS.Sivakumar p.

Managing Partner

CP No:2210, FCS:3050

Kochi

07 June 2017

ANNEXURE TO THE SECRETARIAL AUDIT REPORT OF EVEN DATE

The Members,
The Federal Bank Ltd.
Federal Towers, P.B. No. 103
Alwaye-683101

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

1. Maintenance of the Secretarial records is the responsibility of the management of the Company. Our responsibility as Secretarial Auditors is to express an opinion on these records, based on our audit.
2. 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 records. We believe that the process and practices we followed provide a reasonable basis for our report.
3. The correctness and appropriateness of financial records and Books of Accounts of the Company have not been verified.
4. We have obtained the Management representation about the Compliance of laws, rules and regulations and happening of events etc., wherever required.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards etc. is the responsibility of management. Our examination was limited to the verification of the procedures and compliances on test basis.
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 Company after 31st March 2017 but before issue of the Report.
7. We have considered actions carried out by the Company based on independent legal/professional opinion as being in compliance with law, wherever there was scope for multiple interpretations.

For SVJS & Associates

Company Secretaries

sd/-

CS.Sivakumar p.

Managing Partner

CP No:2210, FCS:3050

Kochi
07 June 2017

Annexure VI

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

Sr. No	Requirements	Disclosure
1.	The Ratio of Remuneration of each Director to the Median Remuneration of Employees for the Financial Year@	Mr. Shyam Srinivasan, MD & CEO -17.92 Mr. Ashutosh Khajuria, ED & CFO - 12.71 Mr. Ganesh Sankaran, ED - 13.33
2.	The percentage increase* in remuneration of each director(MD/ED), Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the financial year	Mr. Shyam Srinivasan, MD & CEO-2.94 Mr. Ashutosh Khajuria, ED & CFO- 20.61 (The difference was due to perquisite amount on Exercise of ESOS Options Variable PLI was not paid during FY 2016-17) Mr. Ganesh Sankaran, ED - 38.47 .(Since only in September 2015 only six months salary is considered for FY 2015-16 and hence the difference.)
3.	The percentage increase* in the median remuneration of employees in the financial year	-10.83 (The negative difference is due to payment of Arrears of 10th Bipartite Settlement which was paid in the last Financial Year)
4.	The number of permanent employees on the rolls of company	11593 employees
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 other than the KMP for the financial year is around 13%, while the average increase in the remuneration of KMP's are as follows MD& CEO - 2.94% ED & CFO - -20.61% (ESOS Exercised last year. Variable PLI not paid in FY 2016-17. Hence no increase) ED 2 - 38.47% (Shri Ganesh Sankaran joined the service of the Bank during Sept 2015 and hence an increase of 38.47% when compared with remuneration paid for FY2016-17 and FY 2015-16
6.	The key parameters for any variable component of remuneration availed by the directors	The variable compensation for Managing Director & CEO and Senior Executives (Non – IBA package) to be fixed based on organizational performance and KPAs set for the official. The organization's performance is charted based on the Revenue Point Index/ Performance Scorecard which takes into account various financial indicators like revenue earned, cost deployed, profit earned, NPA position and other intangible factors like leadership and employee development. Variable pay will be paid purely based on performance and is measured through Score Cards for Managing Director & CEO / WTDs. The Score Card provides a mix of financial and Non Financial, Quantitative and Qualitative Metrics. KPAs to contain targets on Risk Adjusted Metrics such as RAROC, RARORAC, in addition to target on NPAs.
7.	Affirmation that the remuneration is as per the remuneration policy of the Bank	Yes, it is confirmed.

Annexure VII

STATEMENT CONTAINING SALIENT FEATURES OF THE FINANCIAL STATEMENT OF SUBSIDIARIES OR ASSOCIATE COMPANIES OR JOINT VENTURES

Performance and Financial Position of Subsidiaries and Associates/joint ventures of the Bank as on March 31, 2017

PART "A": SUBSIDIARIES

(₹ '000)

1. Sl. No.	1
2. Name of the subsidiary:	Fedbank Financial Services Limited
3. The date since when subsidiary was acquired	17/04/1995
4. Reporting period for the subsidiary concerned, if different from the holding company's reporting period.	NA
5. Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries.	NA
6. Share Capital	19,00,000
7. Reserves & surplus	4,04,635
8. Total assets	101,12,946
9. Total Liabilities	78,08,311
10. Investments	NIL
11. Turnover	13,46,157
12. Profit before taxation	3,54,776
13. Provision for taxation	1,29,478
14. Profit after taxation	2,25,298
15. Proposed Dividend	NIL
16. Extent of shareholding (in %)	100%

Notes:

- Names of subsidiaries which are yet to commence operations - NIL
- Names of subsidiaries which have been liquidated or sold during the year. – NIL

**PART "B": ASSOCIATES AND JOINT VENTURES
STATEMENT PURSUANT TO SECTION 129 (3) OF THE COMPANIES ACT,
2013 RELATED TO ASSOCIATE COMPANIES AND JOINT VENTURES**

Name of Associates/Joint Ventures	IDBI Federal Life Insurance Company Limited
1. Latest audited Balance Sheet	31/03/2017
2. Date on which the Associate or Joint Venture was associated or acquired	23/11/2006
3. Shares of Associate/Joint Ventures held by the company on the year end	
Number of shares held	20,80,00,000
Amount of Investment in Associates/Joint Venture (₹'000)	20,80,000
Extent of Holding (in %)	26%
4. Description of how there is significant influence	Investment more than 20%
5. Reason why the associate/joint venture is not consolidated	NA
6. Networth attributable to Shareholding as per latest audited Balance Sheet (₹ '000)	17,65,239
7. Profit / Loss for the year 2016-17 (₹ '000)	
i. Considered in Consolidation	1,35,493
ii. Not Considered in Consolidation	3,85,131

- 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.

Annexure VIII**DIVIDEND DISTRIBUTION POLICY****I. OBJECTIVE:**

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

In terms of Regulation 43A of SEBI (LODR) Regulations, it is mandatory for the Bank to frame the Dividend Distribution Policy, as it falls within the top 500 listed entities as on March 31, 2016 in terms of market capitalization. Accordingly, the following 'Dividend Distribution Policy' has been framed, approved and adopted by the Board of Directors of the Bank.

II. POLICY:

1. The Policy will be called as Federal Bank Dividend Distribution Policy'.
2. General Principles of the Bank regarding distribution of dividend

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

3. Eligibility criteria for declaration of dividend

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

The bank should have:

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

In case any bank does not meet the above CRAR norm, but is having a CRAR of at least 9 % for the accounting year for which it proposes to declare dividend, would be eligible to declare dividend provided its Net NPA ratio is less than 5%.

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

4. Quantum of dividend payable:

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

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

5. 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.

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

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

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

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

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

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

Board will take into account various internal factors, such as business growth plans, future capital requirements etc. The decision of the Board regarding dividend shall be final.

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

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

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

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

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

7. 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.

8. 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

For and on behalf of the Board of Directors

Aluva
07 June 2017

K M Chandrasekhar (DIN 06466854)
Chairman of the Board

WHY SETTLE FOR LESS?

STEP INTO MORE COMFORT

When it comes to turning a dream home into reality, one doesn't have to settle for anything less anymore! With hassle-free home loans at low interest rates from Federal Bank, customers can now realise their dream home in just the way they like it. And with a longer repayment period of 30 years that lowers the EMIs significantly, Federal Bank Home Loan provides customers with an avenue to that one goal they have pursued in their whole life: Home!



MANAGEMENT DISCUSSION & ANALYSIS

Global Economic Scenario:

The global economy is poised for economic growth compared to recent years' performance, and is projected to pick up pace in 2017 and 2018 after a lacklustre outturn in 2016, especially in emerging market and developing economies.

Despite the influence of political and policy upheaval, the world's major economies have performed quite well in recent months. Brexit and the outcome of the U.S. election are yet to produce any negative outcomes some had feared. But there may be challenging times ahead.

With buoyant financial markets and a long-awaited cyclical recovery in manufacturing and trade under way, IMF in the World Economic Outlook, April 2017 has projected the world growth to rise from 3.1 percent in 2016 to 3.5 percent in 2017 and 3.6 percent in 2018.

Activity is projected to pick up markedly in emerging market and developing economies because conditions of commodity exporters experiencing macroeconomic strains are gradually expected to improve, supported by the partial recovery in commodity prices, while growth is projected to remain strong in China and many other commodity importing markets.

But binding structural impediments continue to hold back a stronger recovery, and the balance of risks remains tilted to the downside, especially over the medium term. With persistent structural problems such as low productivity growth and high income inequality, pressures for inward looking policies are increasing in advanced economies. These threaten global economic integration and the cooperative global economic order that has served the world economy, especially emerging market and developing economies, well. Against this backdrop, economic policies have an important role to play in staving off downside risks and securing the recovery. On the domestic front, policies should aim to support demand and repair balance sheets where necessary and feasible; boost productivity, labor supply, and investment through structural reforms and supply-friendly fiscal measures; upgrade the public infrastructure; and support those displaced by structural transformations such as technological change and globalization.

Indian Scenario:

The Indian economy which has been drifting on a relatively sound footing was poised to become the fastest growing large

economy for FY17 until demonetization dented its growth later in the year. According to a forecast by International Monetary Fund, the economic momentum however is expected to recover and gradually accelerate to 7.2 percent by FY 18. Rebalancing of growth drivers towards investment will support the sustainability of GDP and household income growth, albeit with heightened uncertainty.

Favorable monsoons provided tailwinds to India's domestically-driven expansion. Normal monsoons in FY16-17 boosted agriculture and rural consumption, while urban consumption remained robust.

India's economic reforms continued in fiscal year 2017, which was marked by two major domestic policy developments, namely demonetisation of higher-denomination notes and the passage of a Constitutional amendment paving way for the implementation of a goods and services tax. Despite renewed weakness in private investment and limited lift from external demand, India was poised to continue growing robustly until 'demonetization', which dented growth modestly. Demonetization caused an immediate cash crunch, and activity in cash reliant sectors was affected. This also saw the GDP growth slowdown to 7.0 percent during Q3 FY17, from 7.3 percent during H1 FY17. The exchange rate has appreciated, partly reflecting expectations of a narrowing inflation gap between India and the US.

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

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

India has seen a decline in its inflation since fiscal year 2015,

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

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

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

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

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

The Indian economy is on the brink of a major transformation, with several policy initiatives set to be implemented shortly. Positive business sentiments, improved consumer confidence and more controlled inflation are likely to prop-up the country's economic growth. Enhanced spending on infrastructure, speedy implementation of projects and continuation of reforms are expected to provide further impetus to growth. Also, timely and smooth implementation of the GST could prove to a significant upside risk to economic activity in FY18.

Indian Banking Industry:

The Indian banking sector is highly regulated and monitored, which contributes to its relative stability during uncertain economic periods. The banking sector, being the barometer of the economy, is reflective of the weak macro-economic variables.

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

The announcement of demonetization which gave a big jolt to the Indian economy saw the banking sector become the beneficiary with access to huge deposits. A high and rising proportion of banks stressed loans, particularly those of public sector banks (PSBs) and a consequent increase in provisioning for non-performing assets

(NPAs) continue to weigh on credit growth reflecting their lower risk appetite and stressed financial position.

The Indian banking system still continues to battle falling asset quality issues and hence, the need to maintain capital adequacy in the light of piling bad loans.

Advancements in technology have brought the mobile and internet banking services to the fore. The banking sector is laying greater emphasis on providing improved services to their clients and also upgrading their technology infrastructure, in order to enhance the customer's overall experience as well as give banks a competitive edge. The move towards a less cash economy will incentivize increased digital mode of transactions. The ability of the government to use the database of Aadhaar as a unique identifier coupled with Jan Dhan accounts created for the unbanked or people newly under the fold of banks is a huge opportunity for banks to exploit in the near future.

Moreover, reduced policy uncertainty and legislative and tax reforms such as implementation of goods and services tax and enactment of bankruptcy laws are expected to reinforce the benefits from the strong macro fundamentals and the withdrawal of legal tender status of specified bank notes could potentially transform the Indian economy. While the overall risks to the corporate sector moderated in 2016-17, concerns remain over its recovery.

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

The capital to risk (weighted) assets ratio ("CRAR") of scheduled commercial banks remains unchanged during the first half of fiscal year 2016 while public sector banks continued to record the lowest CRAR among banks.

Review of Bank's Business Performance:

Despite a setback in momentum of the industry due to

demonetization and worsening quality of assets, your Bank recorded quite a noteworthy performance during FY 2016-17. The total Business of the Bank increased by 24.58% to ₹ 171000.84 Cr for the year ended 31st March 2017.

The Bank's CASA has shown sustained growth along with its deposit portfolio. 94.08% of the Deposit book is non-bulk and granular in nature. The Net Worth of the Bank increased to ₹ 8856.47 Cr as on 31.3.2017. The Capital Adequacy Ratio (CRAR) of the Bank, computed as per Basel III guidelines, stands at a very comfortable level of 12.39 % as on 31.3.2017.

The Bank has posted a net profit of ₹ 830.79 Cr for the year ended March 31, 2017. Total income for the year grew by 14.06% to ₹ 9759 Cr and Other Income stood at ₹1081.81 Cr. Net Interest Margin (NIM) of the Bank stood at 3.31%.

The total deposits of the Bank increased by 23.36 % to ₹ 97,664.57 Cr and Net advances of the Bank stood at ₹ 73336.28 Cr. CASA of your Bank increased by 23.86% from ₹25704.84 Cr to ₹ 31837.63 Cr.

Parameter	16-Mar	17-Mar	Y-o-Y Growth (%)
Total Savings	21422	26398	23.23%
Current Deposits Levels	4283	5440	27.01%
NR Business	32597	38578	18.35%
Retail Deposit	77543	91885	18.50%
Total Deposit	79172	97665	23.36%

In the advance front, Retail advances recorded a growth of 27.08% to ₹ 21793.62 Cr from 17149 Cr, SME grown from ₹ 15000 Cr to ₹17641.13 Cr showing a growth of 17.61% and the corporate book grew from 20338 Cr to 27159 Cr recording a growth of 34%. Return on Average Assets stood at 0.84% and return on Equity of the Bank is 9.89% now.

Parameter (Amt in Cr)	Mar-16	Mar-17	Y-o-Y Growth (%)
Retail Advance	17149	21794	27.08%
SME Advance	15000	17641	17.61%
Agri Advance	6304	7497	18.93%
Corporate Advance	20338	27159	33.54%
Gross Advance	58791	74091	26.02%

Gross NPA stood at 1727.05 Cr and Net NPA stood at 941.20 Cr as on 31.03.2017. Gross NPA as percentage to Gross Advances was 2.33% and Net NPAs as a percentage to Net Advance was 1.28%, both of which were lower than FY 16. PCR (Provision Coverage Ratio) including written off assets stood at 71.75%.

The Bank continued to expand its footprint and has 1252 branches and 1667 ATMs as on 31.03.2017. The Bank also has its Representative office at Abudhabi& Dubai and an IFSC Banking

Unit (IBU) in Gujarat International Finance Tec-City (GIFT City).

Corporate and Institutional Banking

Corporate & Institutional Banking Division provides Comprehensive banking solutions to Large Corporate & Business Houses, Mid & Emerging Local Corporate, Public Sector Enterprises, Capital Market Clients and Financial Institutions, Your bank offers an array of banking products and services covering working capital, term funding, trade finance, CMS, structured financial products and services, foreign exchange, syndication services, digital and electronic banking products.

During the FY 17 this business grew strongly by 33.54% to ₹ 27,159 Cr against Rs 20,338 Cr in FY-16. We were able to add some new prestigious clients to the portfolio using innovative product offerings with quick turnaround time. To ensure adequate significance for this segment, the Bank's focus remain on in-depth understanding of borrowers, widening the ambit of our client selection and credit underwriting processes while zealously guarding credit qualities.

SME Business

The end of year 2016 saw the Indian economy being roiled up by the demonetisation exercise, which had significantly impacted the small and medium enterprises. Your bank, nevertheless, has emerged unshaken from the flux, achieving a growth of 18% in the SME Segment.

Introduction of the Relationship Manager Model of business development a la Corporate and institutional Banking was a major step in your Bank's journey towards making itself more customer-focussed. High end clients now have Relationship Managers who serve as account managers ensuring timely disposal of client requests and faster credit delivery. The specially trained relationship Managers are equipped to offer the full spectrum of services of the Bank to the customers. The model is stabilized now and has started reaping results.

FY 17 witnessed a robust growth in the dealer funding portfolio. Tie-up with the prestigious companies have increased your bank's reach among the automobile dealer community.

Your Bank also ventured into the Asset backed loan business which was well received by the business fraternity. The product facilitates loans for any business purpose including consolidation of existing debts, with simple assessment based on the value of the property. Pre-approved Loans in the form of demand loans and term loans to existing SME Clients based on segmentation of clients into Gold silver and bronze categories supported by track records, proved to be a great success. The facility provides empowerment to the branches for quick credit decisions and timely financial assistance

to our clients in times of emergency.

Various measures taken towards simplification of credit processing and dispensation, including introduction of simplified module for small loans in the Automated loan processing system, has contributed to improvement in processing time of credit proposals.

Retail Business:

The low-cost CASA segment reached ₹ 31837.63 Cr, up by 24%. Resident Savings deposit of your Bank has registered a growth of 29 % Y-o-Y to reach a figure of ₹14448 Cr. The total Resident Retail liability book reached a figure of Rs. 47690 Cr being 49 % share of total deposits. Acquisition of premium savings accounts and Corporate Salary accounts have been one of the focus areas backed by thrust on improving Product Per Customer by way of Recurring Deposit campaigns and centralized dormant revival activities.

The Retail loan book of your Bank grew by 27.08% reaching ₹ 21794 Cr, forming 29.41% of the total advances of your Bank. Housing loans continue to be the major component of the retail loan book, with a 50% share. During the year the Housing Loan portfolio increased to ₹ 9104 Cr, registering a growth of 15.6%. Your Bank's mantra of driving business through technology saw its manifestation in the retail loan front also with the introduction of the digital platform "Be Your Own Master". Several pre-approved Personal and Auto Loan programs have been successfully run through the BYOM platform, with the "Instant Personal Loan" being a runaway success, and winning the Bank the prestigious "SKOCH Smart Technologies Gold Award 2016". Auto Loan and Personal Loan books grew by 35% and 150% respectively during FY 2016-17. The year also witnessed your Bank's foray into inorganic growth in retail assets through Assignment transactions by acquiring home and mortgage loan portfolios worth Rs. 3150 Cr. from reputed financial institutions.

Your Bank has increased focus on need based investment and insurance products to customers. Sale of Life Insurance, Health and General Insurance has shown a growing trend (12%) during the year. Your Bank entered into a tie up with Chola MS in General Insurance sector and started offering their insurance products to customers from March, 2017. Through offer of Investment products like Mutual Funds, your bank has been able to grow its Assets Under Management (AUM) by 49 % to reach ₹ 223 Crores. Offering of online investment products of Geojit and IIFL has also got the necessary focus with a good growth seen in the customers acquired under this portfolio. During the FY, your Bank has entered into an agreement with MMTC, a Government of India Enterprise for the distribution of Indian Gold Coins (IGC). Your bank was the first Private Sector Bank to have the arrangement with MMTC

and your bank had sold an aggregate quantity of 16.30 Kgs IGC worth ₹ 5.31 Crore through this arrangement. Your Bank has participated in all the four Sovereign Gold Bond tranches launched by Government of India through RBI during the financial year. Your Bank could canvass an aggregate quantity of 27.72 Kgs of Sovereign Gold Bonds worth ₹ 8.43 Crore. Your Bank could canvass 31462 applications of different IPO/Rights issue worth ₹191.93 Cr under ASBA portfolio.

Cards and Payment Solutions

After demonetisation, your Bank has taken active steps to support Government of India's cashless initiatives. Number of Point of Sale (PoS) terminals installed by your Bank has increased manifold during the period under report. Your Bank has also enabled acceptance of Discover and Diners Club branded cards in our PoS terminals.

Your Bank has launched Rupay Platinum debit card during the year in association with National Payments Corporation of India. The card offers attractive features to our customers like higher shopping and cash withdrawal limits, Cash back on Utility Bill Payments, Personal Insurance Coverage [Life & Accident], Complimentary Airport Lounge Access at both Domestic & International Lounges, exclusive merchant discounts etc.

Your Bank is having an exclusive loyalty programme for its debit cardholders called 'Utsav Rewards'. We are happy to inform that your Bank has crossed the milestone of 1 billion points awarded under the programme.

Your Bank has extended its co-branded credit card with SBI Card to all major locations pan-India during the year. As part of widening the sourcing activities, we have launched an exclusive call centre and an E-Apply channel for the credit card.

Your bank is offering an online payment portal called 'Easy Payments' to its business customers who want to extend their services to the e-commerce world. During the year under report, we have tied-up with additional payment aggregators to widen the payment acceptance options for our customers.

Your Bank has newly enrolled more than 100 educational institutions during the year under its flagship fee collection programme 'E-Fee'. Your Bank has also launched a complete apartment management solution under its 'E-Maintenance' product, to manage the payments and day-to-day activities in Residential Complexes such as Apartments, Villas etc.

Agri Business:

Your Bank caters to the financial needs of the farming folks of the country through its several innovative channels, products

and services. Your bank continued its commitment to serve the farmer borrowers engaged in Agri & allied activities and remain dynamic in rural banking arena. The agriculture portfolio of the bank witnessed a growth of 19% in FY 2017 from ₹ 6301 Cr to ₹ 7497 Cr. Your Bank has also achieved its mandatory target of 18% of ANBC under agriculture lending with good margin. During the year, your Bank has embraced a Relationship Manager model in Agri business sourcing, which proved a right strategy in achieving a growth rate far better than the industry average. Your Bank gave special emphasis to commodity financing and warehouse receipt financing in FY 2017. To boost lending to agriculture sector, your Bank entered into strategic tie-up with various collateral managers. This initiative helped the farmers to avoid distress sale by offering finance to farmers against their produce stored in warehouses. Your Bank has also launched its product for financing against electronic warehouse receipts. To meet emerging market demands and for better credit delivery, your Bank made several refinements in various loan products.

In the coming financial year, in its endeavor to achieve higher growth in geographies outside its home state, your Bank is strengthening the Agri Relationship Model. Given the opportunities and potential of Agri Business segment, it will continue as a key growth engine for your Bank in the coming financial year also.

Priority Sector Advances

Your Bank has been contributing significantly to Priority Sector Lending (PSL) and has achieved the regulatory target as on March 31, 2017 set by the Reserve Bank of India. Implementation of Relationship Model in lending to MSMEs and Agri business helped your Bank to achieve its target. With the recent changes in regulatory guidelines for Priority Sector Lending, your Bank focused on financing Small and Marginal Farmers, Micro Enterprises and weaker sections during the financial year. Your bank has also achieved the regulatory targets under advances to weaker sections as on 31.03.2017.

Foreign Exchange Business:

As on 31st March 2017, your Bank had two 'A' category branches and eighty eight (88) 'B' category branches/offices for handling foreign exchange business. Entire Foreign Exchange / Trade Finance Transactions are centralised to extend timely and efficient service to forex clients and improve effectiveness of the branches. SWIFT operations are also centralized to make it faster and reliable.

In the Trade Finance segment, export credit facilities are provided both in rupee and foreign currency for pre-shipment and post-shipment activities of the exporters. Credit facilities are extended

mainly for export of cashew, sea foods, garments, minerals, coir, spices, other food products, leather, rubber, pharmaceutical products, gems and jewellery etc.,

Credit facilities, such as Letter of Credit, Stand by Letter of Credit (SBLC), Guarantees etc., are extended to import goods majorly chemicals, timber, raw cashew nuts, paper, electronic items, machinery etc. Your Bank also arranges Buyer's Credit from overseas banks for import customers at competitive rates.

Your Bank conducted regular one-on-one meetings with exporters/importers at Zonal levels to strengthen the relationship, to assess the financial position of the units, support additional credit requirements and also to acquire new relationships. Updates on daily forex rates and market movements are sent to clients on a regular basis.

Your Bank has been giving much thrust to the development of forex business and is continuously endeavoring to improve the operating skills of the personnel through meetings, interactions and training programmes. Your Bank is also in the forefront in conducting Foreign Exchange Dealers Association of India (FEDAI) training programmes for banking fraternity. This enabled the designated branches to improve their operating efficiency substantially. Your Bank periodically updates and codifies the RBI/FEDAI instructions applicable for forex business, in the form of comprehensive guidelines/ circulars for the benefit of its operating staff. Your Bank has published a Citizen Charter for forex facilities and publishes the exchange rate of various currencies on a daily basis in the banks website for the benefit of the public.

The Bank continues to be a member of the Technical Advisory Committee of FEDAI. Your Bank has a Foreign Exchange Cell attached to Treasury Department at Mumbai catering to all the requirements of the clients / branches on Foreign Exchange and Cross border transactions.

Integrated Treasury Operations:

Your Bank's Treasury Operations involve maintenance of Statutory Reserve requirements, Balance Sheet Management, trading in Money Market instruments, Bonds and Debentures, Equity and Foreign Exchange. Your Bank has dedicated and full-fledged dealing desks for various segments like Foreign Exchange, Interbank and Merchant Trading, Currency Futures, Interest Rate Futures, Money Market, Government Securities, Bonds and Debentures, Certificates of Deposit, Commercial Paper, Interest Rate Swaps and Equity and is having its Integrated Treasury Department and Forex dealing room located in Mumbai.

A dedicated team has been set up for selling treasury/Forex products to clients. This has been working well in expansion of client base

especially Forex Clients. This helps the Bank in increasing the Forex fee income. Your Bank has taken a slew of initiatives to enhance treasury operational capabilities viz., by providing Web based Government Securities (G-Sec) trading platform to Constituent Subsidiary General Ledger (CSGL) clients and providing of Intraday Trading facilities to them. Your Bank is in the process of enhancing its capabilities in the Derivative segment and has procured new software for scaling up the operations. The seamless integration of Treasury Software with Core Banking is underway and expected to be completed by second half of the FY 2017-18.

Gujarat International Finance Tec-City (GIFT) - A Global Financial Hub

GIFT is conceptualized as a global Financial and IT Services hub, a first of its kind in India, designed to be at or above par with globally benchmarked financial centres such as Shinjuku, Tokyo, Lujiazui, Shanghai, La Defense, Paris, London Dockyards etc. GIFT Master Plan facilitates Multi Services SEZ with IFSC (International Financial Services Centre) status, Domestic Finance Centre and associated Social infrastructure. "GIFT SEZ Limited" has been formed by GIFTCL for development of Multi Services SEZ at Gandhinagar with the prime focus on development of IFSC and allied activities in SEZ.

Federal Bank – IFSC Banking Unit (IBU)

Your Bank has started its IFSC Banking Unit (IBU) in India's first International Financial Service Centre (IFSC) in GIFT City (Gujarat) in November 2015. With the opening of International Banking Unit (IBU) Branch in GIFT City (Gujarat International Financial Tec City), your bank is also extending buyer's credit to importers at concessional terms.

The various products offered by Federal Bank – IBU are

- Trade credit facilities (Buyers' Credit, Supplier's Credit, SBLC, BG etc.)
- External Commercial Borrowings (ECB)
- Accepting foreign currency deposits
- Credit facilities to Wholly Owned Subsidiaries (WOS)/Joint Ventures (JV) of Indian companies registered abroad
- Credit facilities to overseas companies owned by Non Resident Indians

Federal Bank –IBU has executed transactions in various segments like Manufacturing, Metals, Media & Entertainment, Health care, Electricals etc. For the financial year, total Asset Portfolio of Federal Bank – IBU stands at US \$ 212 Million.

International Banking Business:

During FY 17, NRI business of your Bank grew by 18% with total

NRI deposits touching ₹ 38578 Cr on 31st March 2017. The NR CASA grew by 17%. Your Bank opened its second overseas office at Dubai on 16th November 2016.

The year also witnessed decent growth in the inward personal remittances handled by the Bank. Your bank was instrumental in bringing in Rs.62500 Crore to India, representing about 15% of the total personal remittances received by the country. Your Bank started 6 new Rupee remittance tie ups during FY 17, of which 4 are from GCC and 2 are from Non GCC locations. All Rupee remittance arrangements from Non GCC countries have online remittance option.

During FY 17, your bank received Reserve Bank of India's approval for opening a Representative Office in Bahrain and an offshore banking branch at DIFC Dubai. Bank is awaiting approval from the monetary authorities of the respective countries, to open them. During the year, Bank has also sought RBI's approval for opening Representative Offices in Singapore and Kuwait. The overseas Representative Offices and the officers in GCC countries continue to do a major portion of your bank's NRI customer acquisition.

Digital Centre of Excellence

Banking today means anytime anywhere banking. It's all about enabling 360 degree banking through digital channels. This requires innovative, robust, secure, optimized and ready to meet the expectations of empowered and tech-savvy customers. By integrating with latest technology we continue to introduce new digital channels and new payment avenues for catering all customer requirements.

Post demonetisation we have observed a phenomenal increase in awareness on digital banking services which has resulted in more acceptances across merchants and users. The vision document of Digital India says that India would become a world leader in digital banking by 2019. Your Bank is in line with this thought and is very keen in introducing the latest technology including Aadhaar enabled payment systems, enabling majority of its customers getting on boarded for digital payments.

Your Bank is partnering with fin-tech companies for blending latest technology with banking. We continue to engage with startups in the form of startup studios, sandbox and 'Launchpad' our dedicated start up service outlets. This is helping future businesspersons to build a platform and in parallel, an opportunity for us to keep abreast of the change winds.

Digital programs will comprise servicing of existing clientele and onboarding of new customers across the business verticals – Retail, SME & Corporate. Our objective is to make all banking services available in Digital channels that are simple and convenient for our

customers. On the other side digital program will help to improve operational efficiency and reduction in cost with increased contribution in revenue.

Our digital programs are guided by our principle of being "Digital at the fore, human at the core"

When Digital enables customers to do banking simpler, faster and friendlier, Bank is keen in reaching out to customers for personalised financial services. Security is always a concern when it comes to digital banking. Your bank is committed to ensure compliance with respect to all technical and regulatory security measures in all our digital channels and payment platforms.

During FY 17, there was a 400% growth in transaction volume through digital channels while active customers in mobile banking grew by 250%. More than 74% of our new customers are joining our digital channels from the word go. Innovative products were brought in for onboarding new customers in opening savings account and for availing personal loans. Through **FedBookSelfie** now customers can open an account with Aadhaar OTP and start using the account instantly. One of the major enhancements in Digital channels was BYOM- Pre approved personal loans. The customer is authenticated with an OTP and loan amount is instantly credited to the customer's SB account.

Your bank has launched Lotza- UPI App which enables payments through virtual ids to any bank, Lotza- M enables merchants to accept payments with QR code scanning. Your bank delivers U-POS (UPI POS) which works similar to M-Lotza, with an option of generating receipts to the customer. With the effect of demonetization, the availability of POS machines were so less, for solving the issue we have launched E-POS, which works similar to a POS machine, and helps the merchant to collect payments from their customers by sending a SMS. The customers can access the link in the SMS, and make payment with their Debit/ Credit cards or internet banking.

The mobile banking App FedMobile is enabled for opening Term Deposits including RD and Tax Saving deposits. Through FedMobile, personal loans can be availed with a click for all eligible pre-approved customers. Other features in the App include Travel booking, IDBI Federal insurance, bill payments for Electricity, Telecom, Gas, Insurance, Mutual Funds etc.

Your Bank got approval from NPCI for implementing single QR code based payments (Bharat QR). Aadhaar pay, AEPS, Bharat Bill Payment System (BBPS) are other payment channels coming soon to our customers that are approved by NPCI.

Financial Inclusion

The objective of Financial Inclusion is to extend financial services to the large unserved population of the country to unlock its growth potential. In addition, it strives to achieve more inclusive growth by making financing available to the poor in particular. Through proper methods Financial Literacy, enables Banks to channelize the savings of the unserved population of the country and offers new business avenues for lending to this group.

Financial Literacy : Your bank believes that business exists in the society and any business requires social sanction for its survival and growth and organizations should have a social commitment. Our Financial Literacy scheme has the following variants devised for the different category of people in the society:

- Financial Literacy Campaigns
- Federal Ashwas Financial Literacy Centres (FAFLCs)

Financial Literacy Campaigns: Your bank has implemented Financial Inclusion as per various models, of which, providing financial literacy is the first and foremost one. Financial literacy programmes intend to provide basic banking knowledge to people across various corners of the life. The financial literacy classes are organized and conducted by the branches in the rural / semi-urban area. Your Bank has currently 153 rural branches that conduct financial literacy campaigns to the general public and school children for providing basic banking knowledge to them. Our officials are conducting financial literacy classes, particularly those in Semi-Urban and rural areas and individuals and students are made aware of various financial services through power point presentation, printed comics, role plays, interactions, bank visit, quiz etc.

Federal Ashwas Financial Literacy Centres (FAFLCs): FAFLCs are your Bank's initiative to provide free, unbiased, fair and coordinated financial education through financial literacy classes and credit counselling. With wide extensive support, Federal Ashwas Financial Literacy Centres seek to help the public understand finance and banking needs better and arrive at informed decisions, so that they become completely equipped to face any financially challenging moments/ crisis in their lives. We also seek to guide them on the dangers of incurring excessive debt and borrowing from the informal sources of credit. Ashwas Centres has turned out to be effective financial literacy and credit counselling centres in rural and semi urban areas. Federal Bank has currently 22 Federal Ashwas Financial Literacy Centres pan India with 19 centres functioning in the state of Kerala and the one each in Tamil Nadu, Maharashtra & Karnataka. We have very erudite and vibrant counsellors at FAFLCs who utilize every opportunity to educate and counsel the needy at the time of their financial crisis. The Financial Literacy campaigns are targeted imparting knowledge to the following segments:

1. Farmers
2. Self Help Groups
3. Micro and Small Entrepreneurs
4. Senior citizens
5. School children
6. Other segment identified by FLCs.

Special camps for the newly included people in the financial system, including PMJDY account holders also have been arranged.

Around 1650 literacy camps were undertaken by these centres during the financial year 2016-17 which has benefitted more than 78,000 people and all the FAFLCs could bring in 9372 individuals in to formal banking system. Also through active participation in Govt.'s latest DIGI DHAN Melas and 'Going Digital' camps, our FLCs could migrate more individuals to Digital banking platform. Moreover all FLCs were actively involved in "dFLAP" – a digital Financial Literacy Awareness Programme in last year as per the directives of NABARD.

Your bank's existing Prepaid card arrangements with leading NBFC – MFI, Janalakshmi Financial Services Pvt. Ltd. (JFS) are enduring with very good response. The initiative to tie up with JFS for tapping the potential of urban financially excluded markets is the first of its kind. JFS is appointed as the Business Correspondent of Federal Bank. JFS has issued these co-branded prepaid cards to its micro finance customers in 25 cities in states of Delhi, Haryana, Punjab, Rajasthan, Uttar Pradesh and Uttarakhand. The loan amount sanctioned to the JFS customers is loaded into the Federal Janajeevan prepaid cards of the individual customers. The key features of Federal Janajeevan card is access to essential banking services – account balance inquiry and cash withdrawal, usage at all ATMs and merchant locations accepting Visa Card. These cards are PIN protected with a validity of 2 years, maximum load value of Rs.50,000/-and maximum withdrawal amount per day is ₹10,000/-. Your bank has issued more than 12 Lakhs cards with a total card load amount of nearly ₹ 3800 Crores, as a result total revenue of more than ₹ 5.00 Cr. has been gained in last year on the tie up arrangement.

In addition, your Bank offers Pradhan Mantri Jan Dhan Yojana (PMJDY) accounts to the general public (mainly to weaker section & low income household groups), with an objective to ensure access to financial services like Savings and Deposit Accounts, Remittance, Credit, Insurance, Pension in an affordable manner. The main attraction of the scheme is zero-balance bank account with RuPay debit card, in addition to accidental insurance cover of ₹ 1 lakh and life insurance cover of ₹30,000/-. Till date your bank has opened more than 4.63 Lakhs accounts with an outstanding

balance of around ₹ 192 Crores.

Your Bank has also launched Overdraft facility to the PMJDY account holders (maximum of ₹ 5,000/-) to meet their exigencies without insisting on security, purpose or end use of the credit.

Your Bank is also actively participating in the Social Security Schemes (Pradhan Mantri Suraksha Bima Yojana, Pradhan Mantri Jeevan Jyoti Bima Yojana and Atal Pension Yojana) launched by the Government of India. The PMSBY and PMJJBY schemes provide low cost insurance benefits to the general public for the death or disability due to accident and for death due to any reason respectively. Atal Pension Yojana (APY) is the government backed pension scheme provided to unorganised sector. Your Bank could help 171 families of our deceased customers who joined the low cost insurance schemes (PMJJBY and PMSBY) by settling claims amounting to ₹ 3.42 Crores.

Micro Banking activities

Micro finance aims at building financial systems that serve the poor. It also promotes socio-economic development at the grass root level through community-based approach. Your Bank has initiated the activities under Micro Banking Department with a view to develop and strengthen people's groups called Self-Help Groups and facilitate sustainable development through them. To start with, your Bank has acquired microfinance portfolio to the tune of ₹ 50.00 Cr in FY 2016-17 on an assignment vertical from a well known Microfinance company.

Credit Health Management:

Credit Monitoring Department is very keen in the monitoring and management of entire credit portfolio for maintaining health of the assets throughout its life cycle. The preservation of asset quality is ensured by identifying warning signals at the earliest possible instance. Identifying early warning signals and sector & group specific issues, gathering and analysing information from external and internal sources, disseminating such information to all stakeholders and initiating corrective actions form the crux of the actions. The activities are aimed at the upkeep of the credit quality through properly defined systems, procedures and practices. The stressed accounts are identified well in advance and prescription and implementation of corrective action plans are brought in wherever required. This end to end monitoring of all Loans & Advances disbursed across the Bank ensures credit discipline.

Your Bank actively participates in Consortium Meetings, Joint Lenders Forum (JLF), Corporate Debt Restructuring (CDR) meetings and other Industry level gatherings. Collection and dissemination of information to Credit Information Bureaus are properly utilized for administration of credit at all levels. Your Bank is in the process

of implementing a system based Loan Management System (LMS) for real time management of the credit portfolio and for making the entire exercises more system oriented.

Stressed Asset Management:

While sustained pressure on asset quality due to continued economic slowdown affected the Indian banking industry significantly, your Bank managed to maintain GNPA at ₹1727.05 Cr at the end of FY 2016-17. Gross NPA as a percentage of gross advances ratio of the Bank stood at 2.33 % and Net NPA as a percentage of net advances ratio of the Bank stood at 1.28 %.

The Provision coverage ratio (including technical write offs) stood at a healthy 71.79 %. Despite having some major slippages during FY 2016-17 mainly due to delinquencies in corporate accounts, your Bank managed its NPA portfolio through prompt steps for resolution by considering and exercising options such as actions under SARFAESI Act, compromise settlements, LokAdalats, Sale of NPAs to ARCs etc.

Provision Coverage Ratio

As on 31 March 2017, the Bank held a total provision of ₹ 754.45 Cr.

Information Technology

Upgradation of Core-Banking

The new age Banking is technology driven. To enhance customer experience and to periodically update and improve ourselves, your bank has moved on to an advanced core banking platform Finacle 10.2.15 with effect from 10th October 2016. This upgrade helps us to meet the dynamic needs of customers, enhance operational efficiency, strengthen innovation capabilities and support scalable growth. The new version provides enhanced features, and in particular will provide a platform on which we can develop products and features designed to enhance customer experience

Fed-E-POS (Electronic Point of Sale (E-POS))

This is an innovative cashless payment solution from your bank, targeting merchant outlets and establishments. The product tilted as 'Fed-E-POS' enables the merchants to collect payments from their customers instantly through a mobile responsive web portal. The product will provide enhanced convenience to merchants, as they can register instantly without any technical integration process.

Using this facility, the merchants/ shops can collect payments online from their customers through a web portal/ mobile application. The merchants have to do a simple one-time registration process for availing the E-POS facility. The merchant will key in the mobile

number of the customer, who receives an SMS with the payment URL, which redirects them to the payment page and completes the transaction. In short, the portal functions as an E-POS, without physical POS machine, making it easier for the merchant to receive online payments.

FedBook –Selfie E_KYC OTP based account opening

Your bank has introduced a new version of Fed Book Selfie which helps customers to open accounts instantly using the OTP based e-KYC. There is no need for the customer to do a physical KYC verification by the branch officials for activating the account. RBI vide their notification dated Dec 8, 2016 had permitted banks to open OTP based e-KYC accounts. Such accounts can be opened by customers who have their mobile number registered with UIDAI. The customer to open the account by OTP based e-KYC will have to give his consent to open the account by giving an OTP received from UIDAI. In this case, customers need NOT visit the branch for opening the account.

UPI -Lotza

LOTZA is Federal Bank's UPI (Unified Payment Interface) PSP Mobile App and has been approved by National Payments Corp. of India Ltd (NPCI).

Features of LOTZA

- One single App for Multiple Bank Accounts
- Send money to any Bank Account using only Virtual Payment Address (VPA)
- Option to send money using Account No/IFSC or Mobile Number/MMID (Mobile Money Identifier)
- Request money from anyone using the sender's Virtual Payment Address (VPA)
- Get account balance of registered account
- Scan N Pay (QR based payment solution) to receive and send money
- Get an OTP from the customer's bank (in the case of non-Federal Bank customers) to complete IMPS transactions
- Register for Mobile Banking Services
- Change MPIN of Mobile Banking
- View Transaction History through LOTZA
- Log App related grievances / complaints

Internet Banking

The user interface was completely revamped with state of the art techniques. The home page would give the full single view of all the accounts of the customer. By re-designing the menu options, the number of clicks to do transactions are minimized.

Be Your Own Master - web application

Your Bank has introduced an innovative mobile application BYOM Loans (Be Your Own Master) this year. BYOM is a step towards redefining the way of retail lending in banking. It is a series of self-service loans; first in the series being car loans followed by personal loans. BYOM personal loans provide the advantage of availing a loan at customer's convenience any time anywhere and 24*7. Through this product, customer gets the loan funds credit to his operative accounts instantly within seconds. This facility neither requires the customer to visit the Branch nor does he have to put his manual signature on any document. BYOM is a web application hosted in your bank's website which can be accessed through mobile also.

BYOM Personal Loan product is an end to end digital and paperless product designed to excite the customers. Getting the loan funds credited to customers' accounts just on a click will create an unmatched experience of availing loans with ease.

Customer need to complete the following three simple steps:

- Authenticate using mobile number and OTP
- Accept the Personal Loan offer and digital terms and conditions.
- Submit the request.

Risk Management:

The Risk Management philosophy of your Bank is to take risk by choice rather than by chance. Your Bank is exposed to various risks that are an inherent part of any banking business. The major risks are credit risk, market risk including interest rate risk, liquidity risk and operational risk which include Information security related risk. Your Bank has policies and procedures in place to measure, assess, monitor and manage these risks systematically across all its portfolios. Board of Directors oversees and approves the risk policies and strategies to establish an integrated risk management framework and control system in the Bank. Risk Management Committee (RMC) of the Board oversees management of various risks implicit in business, systems and processes. Executive level committees ensure effective implementation of risk policies of Credit, Market and Operational risks respectively.

Risk management framework is subjected to review and upgradation on an ongoing basis, in tune with Regulatory guidelines and best practices in the industry. Integrated Risk Management Department controlled by a Deputy General Manager cum Chief Risk Officer coordinates various risk management functions of your bank. An independent Risk Governance Structure has been put in place, duly ensuring independence of Risk Measurement, Monitoring and Control functions.

In order to focus on maximization of return on capital, your Bank has aligned its business strategies to Risk appetite framework. Risk Adjusted Return on Capital (RAROC) framework has been implemented for pricing of loans to evaluate returns vis a vis risks taken. Loss data collection, RCSA (Risk and Control Self Assessment) and KRIs (Key Risk Indicators) are integral part of Bank's Operational Risk Management.

Credit Risk Management

Macro level 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, weak recovery mechanism etc. are 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 to manage the credit risk. Appropriate credit underwriting standards, risk mitigation processes, post-disbursement monitoring, strong collection and recovery mechanism and timely remedial actions ensure that credit risk is contained within acceptable level. Loan Policy of your Bank contains broad guidelines documenting the lending philosophy of the Bank, articulating management of diversified credit portfolio, and various aspects of credit dispensation and credit administration. Segment wise, borrower category wise and geography wise exposure limits are fixed by your Bank to avoid risk concentration. The Bank monitors its exposures on a daily basis to ensure that there are no breaches in the exposure ceilings fixed by the Board. A research and analytics wing functions within the risk department for conducting portfolio studies, industry/sector analysis and to capture up-to-date market information.

Your bank has strong credit appraisal and risk assessment practices in place for identification, measurement, monitoring and control of the credit risk exposures. Your Bank uses CRISIL's Risk Assessment Models (RAM) and CRISIL Retail Scoring System (CRESS) Score Cards for assessing credit risk under different exposure segments. Your Bank is continuously reviewing and validating the credit rating models / score cards for its appropriateness and predictiveness. Migration studies and default rate analysis based on the credit risk rating provide input for policy decisions on credit deployment, pricing and monitoring of credit portfolios. Credit risk management in your Bank, through its various policies, risk assessing tools and risk mitigating measures ensures robust credit growth with superior asset quality. Currently, credit risk capital is computed using the Standardized Approach. RBI Guidelines on Basel III Capital Regulations have been implemented and your Bank is sufficiently capitalized as per the current requirements under Basel III.

Market Risk Management

Your Bank has a well-developed framework, comprising of Board approved policies and established practices, for management of market risk. Your Bank is using various tools like stress testing, duration, modified duration, VaR, etc. to measure and control interest rate risk, liquidity risk and other market related risks. Your Bank has established an independent Mid Office, as part of Market Risk Division, which reports directly to the Head of the Risk Department and functions as the risk control unit for its Treasury activities. The Mid-Office scrutinizes the treasury deals and transactions from the point of view of market risk and operational risk management. Detailed policies are put in place for the conduct of business exposed to market risk and also for effective management of all market risk exposures. The policies and practices also take care of monitoring and controlling of liquidity risk arising out of its banking book, trading book and off balance sheet exposures.

Currently, market risk capital is computed under the Standardized Duration Approach. Value at Risk (VaR) is a tool for monitoring risk in your Bank's trading portfolio. The VaR and Stressed VaR for market risk are monitored on a daily basis. Asset Liability Management of the Bank in respect of all its assets and liabilities is carried out on a daily basis to eliminate the possibility of any risk eventuality in this area.

Liquidity Risk Management & Interest Rate Risk Management

Liquidity risk is the potential inability to fund increase in assets, decrease in liabilities or meet obligations as they fall due, without incurring unacceptable losses. Interest rate risk is the risk where changes in market interest rates affect the Bank's earnings through changes in its net interest income (NII) and the market value of equity through changes in the economic value of its interest rate sensitive assets, liabilities and off-balance sheet positions. The policy framework for management of liquidity risk and interest rate risk is established vide the Bank's ALM policy. Your Bank has established various Board approved limits viz., maturity gap limits, limits on stock ratios and Liquidity Coverage Ratio for liquidity risk management and limits on the impact of adverse movement in interest rates in the net interest income and market value of its equity, for interest rate risk management. Your Bank's Asset Liability Committee (ALCO) is responsible for monitoring adherence to liquidity risk and interest rate risk limits.

Operational Risk Management

Your Bank has a comprehensive framework comprising of policies, processes and systems for management and measurement

of operational risks. Operational risk is primarily managed by prescribing adequate controls and mitigation measures, which are being reviewed and updated on a regular basis, to suit the changes in business practices, structure and risk profile. Your Bank is identifying and assessing operational risk through Risk and Control Self Assessments (RCSA) and monitoring of Key Risk Indicators (KRI). New products and processes or any modifications to existing products and processes are vetted to identify and understand the nature and degree of the risks the Bank would be exposed to and checks and controls are implemented to mitigate the risks. Your Bank has also put in place a fraud prevention framework, whereby various transactions are monitored by dedicated teams from the angle of fraud risk and AML.

Compliance with Basel framework

At present your Bank is using Standardized Approach for credit risk, Basic Indicator Approach for operational risk and Standardized Duration Approach in respect of market risk for computation of capital charge under Basel guidelines. Bank is gearing up with data build up and system requirements for migrating to advanced approaches.

Capital Adequacy Ratio of your Bank as on 31/03/2017 under Basel III norms stood at 12.39 %. Your Bank's common equity capital level of 11.81% offers good cushion for further expansion and growth in asset portfolio and compliance with the requirements of Basel III norms. Capital adequacy ratio at consolidated Bank level stood at 12.64 %. RBI guidelines on Basel III demands building of capital and liquidity buffers in phases and seeks to enhance the minimum core capital, introduce a capital conservation buffer, and prescribe a countercyclical buffer. Bank has complied with the guidelines for regulatory capital under Basel III norms and is fully prepared for moving on to 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 ratio of your Bank as on 31/03/2017 stood at 142.88%.

Capital Management Framework

Bank conducts Internal Capital Adequacy Assessment Process (ICAAP) to identify, assess and monitor risks that the Bank identifies as significant. ICAAP is aimed to ensure that Bank maintains capital commensurate to its risk profile and improves upon its risk management systems and framework on an ongoing basis. It involves realistic assessment of level of risks inherent in the business operations of the Bank and setting aside capital adequate to cover all such risks. Your Bank has a Board approved stress testing policy that covers various extreme but plausible stress scenarios for various risk streams. The ICAAP assesses its capital

and profit impact under each of such scenarios to help the senior management take strategic business decisions. Capital planning ensures that Bank is adequately capitalized for the period ahead and has sufficient buffers to withstand stress conditions.

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

Business Continuity Management

Your Bank has put in place comprehensive bank-wide Business Continuity Management (BCM) plans and procedures to ensure continuity of critical operations of the Bank in the event of any disaster/ incident affecting business continuity. The Bank's business continuity program is developed considering the criticality of the functions performed and the systems used. In terms of the Business Continuity Management Policy approved by the Board, Business Continuity Management (BCM) Committees have been formed at all units of the Bank, who act as the Primary Crisis Management Team in the event of any business disruption. A Central Crisis Management Team (CCMT) is also created to take responsibility and act swiftly in case of any breakdown/ failure of critical systems, occurrence of natural disasters/ accidents or any other events affecting business continuity situation. Periodic drills and tests are conducted to evaluate the effectiveness of the business continuity arrangements.

Information Security & Cyber Security

Your Bank has established robust information and cyber security frameworks for securing its IT infrastructure and systems. The Information Security Team functioning at the Head Office, formulates and periodically reviews the information and cyber security policies and practices. Promotion of information and cyber security awareness among the staff and customers is undertaken on a regular basis through various modes. Your Bank has received ISO 27001 accreditation for its critical IT areas including Data Centre, DR Site, ATM Switch etc. and has implemented 24x7 Security Operations Centre (SOC) at its DC and DR locations.

Customer Delight:

Your Bank is always keen on Customer Convenience and Delight. Your Bank, with the purpose of enhancing Customer experience in branches, provided fine interiors that are on par with all good banks in the country and standardized furnishing with spacious elegant customer lobbies & centralized air-conditioning. The security aspect has been given utmost importance with modern

equipment like Close Circuit TV, sensors, and infra-red cameras. Your Bank has started online real time remote security and surveillance of ATM and branches. The Bank is progressively equipping its branches with Fake Note Detectors, Note Sorting machines and Currency Authenticating machines in compliance with Regulatory guidelines. Your bank has installed 102 Cash Deposit Machines in ATM centres which will enable customers to credit their account 24 X 7.

Human Resources

Your Bank has the best in class HR practices with commitment which people show towards their leadership, with each other and with the customers. HR practices being followed are incremental and collaborative and provide the opportunity for employees to make decisions affecting their work and to share the rewards of their creative efforts.

Vision of HR

A 360 degree support system that helps your Bank and enriches in its journey to its desired goals - that is the vision of HR. Almost all the best practices in HR we find today are derived from Strategic Human Resource Management, wherein the organizational goals are aligned with the individual goals so that they both move in the same direction and not parallel to each other. Our HR strategy is linked with what is known as the business context and the ultimate aim of HR is to add value to the organization and adopt a HR system which drives performance and productivity.

HR Configuration

Your Bank believes that the HR function is no longer administrative but an equal partner in the business. Bank has an HR strategy that has the different subsystems like Manpower Planning, Recruitment, Talent Management, Succession Planning, etc which are interlinked and interconnected like a high precision watch. Your Bank has Zonal HR Officers who are the first point contact on HR matters at each zone, who has overall responsibility for the effective implementation of HR functions/ processes in tune with the corporate objectives. The total Human Capital of the Bank is 11593 for the financial year under consideration. The average age of the employees of your Bank is 37 years. The current male female ratio of the Bank is 60:40.

Employee Empowerment

The way your Bank has empowered the line managers needs to be mentioned first in this regard. We have provided them with HR tools, technologies, online tools etc., which give them an edge over their counterparts in other organizations. At the click of a button, a manager can look at the database of his/her own

people, track history of development, increments, promotions, stock options etc.

Hello HR

In an earnest effort to reach out to the employees directly, your Bank has launched "Hello HR" programme; wherein the desirous employee can call up the Head of HR and his team directly to express their thoughts and concerns.

HR-the Digital Way

The digital vision of HR is to build a Digitally Smart Team of Federals that includes the entire staff of the organisation and to remain competitive and dynamic, with digital at the fore and human at the core, thereby enhancing quality, convenience, timeliness and revenue. Learning has been made digitalised and e-learning is made mandatory with Internal Certification Programs. Attendance marking, Recruitment, Onboarding, workforce planning, succession planning, postings, etc are other areas where ample transformation of digitalisation is done. Through FAME, the employee mobile application, employees have full access to real-time information.

Employee and Industrial Relations

The Industrial Relations scenario in your Bank was cordial during the year. Your Bank has a fair system of rewards & reviews and thrust is given to progressive/ reformative discipline and to create awareness and compliance culture among the workforce. Accountability process has been streamlined to instil more confidence in the employees.

Communication

HR believes that communication plays a vital role in shaping the organisation; virtually in every facet including customer relations and employee management. Through BIG Calls, MD & CEO along with the top management ensures that each and every employee is appraised and updated about the changes happening in the organization along with the business positions and goals to be achieved. All the HR tools and communications are made available in an HR webpage called Darpan. HR Direct is another interface that provides a host of mechanisms which help people to submit their HR related queries.

Administration & Welfare

Your Bank has the best of engagement programs and remuneration package and other support facilities like loans with concessional interest rates for specific purposes. Your Bank offers various perquisites and loans to the employees as part of reward and recognition program and also as an employee welfare measure.

Medical reimbursement and cashless hospitalisation facilities are provided to serving and retired employees of the organisation. The Bank is always in the forefront with thoughtful measures for the employees, many a time including their families. SPARSH is such a humble attempt at shaping the future of the children of employees. Talent Time in every zone of the Bank aims at honouring the children of the employees who were able to score exemplary achievements in academics. FedCradle, the crèche facility for the kids of employees, Gymnasium & Cafeteria at Corporate Office are some other thoughtful ways of exhibiting the care for the employees. Your Bank is amongst the very few employers in the country who have offered ESOS to all levels in the organization.

Deepti, a thoughtful way to say, We Care

Considering the genuine difficulties the family may face to settle the Staff Housing Loan liability outstanding at the time of an unfortunate event of demise of an employee, Bank has come forward with yet another initiative through a Group Loan Insurance scheme, Deepti, to insure the life of employees so as to cover the balance outstanding in their Staff Housing Loan accounts.

Talent Management

Your Bank has structured an integrated Talent Management Systems to align strategic human resources with the organizational goals and to attract and retain the best talent in the organization. The Bank has a well defined career advancement and succession planning policy based on the competency/role matching, identified in the role directory. Human resources planning and deployment frameworks have been decentralized to Zones to support the needs of the Regions and branches.

Performance Management System

A comprehensive, realistic method of performance management system in a thoughtful and coherent manner is implemented successfully in your bank with active engagement of employees. The process includes setting clear and specific expectations, goals, periodic assessment, providing ongoing feedback to focus on elements of overall performance of individuals as well as Business objectives.

Learning & Development activities 2016-17:

Your bank has established a learning culture by adopting 70:20:10 learning model of learning; 70% of learning happens on the job, 20% happens through research or /learning programs. All the learning initiatives are based on this model with a comprehensive implementation strategy in the form of a Master Learning Plan (MLP). Federal Manipal School of Banking (FMSB) is an exclusive partnership between Federal Bank and Manipal Global Education

services to develop Bankers of tomorrow. Federal NIIT University Centre of Banking is an exclusive partnership between Federal Bank and NIIT University to develop, groom and transform young talents into professional Bankers, having an exceptional flair for relationship banking and sales.

Leadership Development programs

Leadership development programs were designed for different levels of employees to develop a leadership pipeline in the organization. This helped in generating desired attributes which are integrated to various people processes.

Talent pool creation:

To bring in specialization in various banking activities, external seniors in critical roles were inducted and talent pool creation was focused in areas like credit, foreign exchange, treasury, and risk and branch management. This was done through external and internal certification programs and also class room programs.

Certification Programs-Internal & External:

Learning remains and still is at the core of all functions and processes that we do. Internal Certification Programme – bank's certification programme in Credit & General Banking is widely accepted and popular among employees. Learning support was also provided to all employees who were taking up the IIBF Certification Course in Foreign Exchange by way of classroom training, video conferences, access to learning materials and mock assessment tests.

E-Learning

Keeping in tune with the latest developments in the learning methods, your Bank has continuously strived to make learning an ongoing mechanism with access to anywhere anytime learning. The bank has built its learning strategy to facilitate learning process across all levels through weekly online quizzes, internal assessment tests, internal/external classroom trainings, internal certification programs and customized e learning modules for various subjects/topics.

Training Activity Highlights 2016-17

- 6074 employees were trained during FY 2016-17 in 357 Programmes.
- 202 employees were given external trainings
- Webinar based training was launched to train and handhold 100 officers.
- Full day Behavioural sessions were conducted for officers.
- Two day behavioural programmes were conducted for sub staff at regional centres which would help them in

developing the right attitude, self-confidence, customer service and caring for the organisation.

- Two day Intensive Sales Accelerator Programme was conducted at major centres across all cadres.
- 3239 employees were trained through eLearning during the pre-migration of the newer version of Core Banking Solution
- Basic Training in Computer & Applications for Bankmen-A.
- Bank has rolled out a One day Cluster based training on General Banking/Credit in Network-2 (outside Kerala) from the current year to the growing training requirements in the organisation and to spread the wave of a learning culture in the organisation.

Inspection and Audit

Inspection and Audit continued to be an effective tool of control and compliance in your Bank. The Audit & Inspection Policy, Information System (IS) Audit Policy and the Audit Manual were subjected to annual review during the year and appropriate modifications and up-gradations were made in compliance of the observations made by Reserve Bank of India in the Risk Based Supervision (RBS), other regulatory guidelines, Basel III norms, the directions of the Audit Committee of the Board (ACB) and the Board of Directors. The review of the policies has been duly approved by the ACB and the Board of Directors. The irregularity list was also refined with the objective of simplifying and rationalizing the audit process recognizing the dynamic changes happening in the industry. Thus the year under review witnessed the scaling up of audit architecture to assure the stake holders, the effectiveness of audit as the fundamental tool of control and compliance. All entities including the wholly owned subsidiary of your Bank and all outsourced activities fall within the ambit of the audit.

In the contemporary banking, audit essentially has advanced to assessment of effectiveness of risk management procedures and internal control systems. Recognizing this, your Bank endeavor to risk rate branches based on the parameters of Business risks and Control risks. The year under review also witnessed the calibration of the risk rating architecture rationalizing the parameters and scores assigned to each parameter of risk. Audits were undertaken at various operating units considering the Audit Universe and in tandem with the Audit Plan approved by the Audit Committee of the Board.

The details of the achievement vis-à-vis the audit plan for major audits is given below.

Sl. No.	Type of Audit	Target FY 2016-17	Achievement FY 2016-17
1	Risk Based Internal Audit	816	866
2	IS Audit	940	1047
3	Management Audit	90	92
4	Revenue Audit Offsite	1231	1233
5	Gold Loan Audit	1578	1614
6	FOREX Audits – A & B Category branches	Along with RBIA of the branch	73
7	Credit Audit	Aggregate exposure of ₹ 5 Crores and above.	1198
8	Legal Audit	Aggregate exposure of ₹ 5 Crores and above.	363
All other audits such as Concurrent Audit, Audit of outsourced agencies, Audit of Trust Funds at HR Dept. etc. were done as per requirement.			

Risk Based Internal Audit

Your Bank has leveraged on Risk Based Internal Audit (RBIA) as a tool to assess and control the risks encountered in the processes and operations in its best effort to align with the observations made by Reserve Bank of India in the Risk Based Supervision (RBS), other regulatory guidelines, Basel III norms, the directions of the Audit Committee of the Board (ACB) and the Board of Directors. During the year 866 Branches were subjected to Risk Based Internal Audit.

Information System (IS) Audit

In a rapidly digitizing banking environment with unprecedented proliferation of technology products, the scope and reach of IS Audit is widening to all spheres of banking activity. IS Audit assures confidentiality, availability and integrity of the audit process and audit inferences. The highest level of security offered by IS Audit, facilitates protection of customer interest on confidentiality and against cyber attacks. IS Audit is conducted by CISA certified Officers from within the Bank apart from 192 Chartered Accountants with CISA / DISA qualification. All critical IT infrastructures in your Bank are subjected to IS Audit by the Information Systems Professionals from reputed CERT-IN empanelled external audit firms. Critical Information Systems are subjected to Vulnerability Assessment Penetration Testing (VAPT) every quarter.

Management Audit

Management Audit in your Bank essentially focuses on identifying the adequacy and effectiveness of processes adopted for decision making in various Departments of the Bank, Zonal Offices, National

and Regional Credit Hubs, Asset Recovery Branches, Currency Chests etc. The observations made in the audit are relied upon by the auditee offices to improve the processes, procedures and systems in practice in such offices. During the year under review, Management Audit was conducted at 92 offices and Currency Chests of your Bank.

Off-site Audit

Your Bank has leveraged on off-site audit with a long term perspective as a forward looking diagnostic tool. Off-site audit is the future of audit and your Bank has already put in place a system of auditing Branches through a Document Management System (DMS) and increasingly it is getting wider acceptance from the operating units. The entire revenue audit in your Bank is undertaken through off-site audit.

Concurrent Audit

Your Bank is increasingly relying on 'Concurrent Audit' as an early warning system to ensure real-time detection of irregularities and lapses. The Concurrent Audit is also used as a tool to prevent frauds in your Bank. The emphasis of the audit is on substantive checking in key areas and large value transactions rather than sample checking. During the year under review the audit was in place in 254 branches and 25 offices of the Bank covering 70 % of advances and 57 % of deposits of the Bank against a regulatory requirement of coverage of 50 % of advances and deposits. The offices covered under Concurrent Audit include inter-alia Treasury Department, Operations Department, International Banking Department, Loan Collection and Recovery Department, Credit Monitoring Department, Depository Participant Division, IFSC Banking Unit, Regional Credit Hubs including National Credit Hub and Large Corporate Hub, Centralized Retail Credit Hubs, exceptionally large and very large Branches, Branches handling Foreign Exchange Business and Branches where RBIA risk rating is high.

Migration to New Audit Software – Pentana

In the pursuit of Bank's objective of digitizing operations, your Bank has decided to migrate to a new state of the art audit software viz. Pentana. Currently, the inspection and audit function is carried out in an in-house developed software viz. Inspection On-line System. The operations now carried out in the inspection on-line system will be migrated to the new software following set timelines. The new software will enhance the efficiency and assure quality to the audit process through transition to process based audit from transaction based audit and integration of Computer Assisted Audit Tool (CAAT). The new software as against the existing scenario is capable of helping your Bank assess the composite risk of the audit universe with the help of CAAT for a

chosen period to decide on the frequency of audit to be undertaken on the operating units. In addition, the new software is embedded with graphic user interface with the help of which your Bank can employ uniform audit methodology. Other advantages of Pentana inter-alia include (a) it supports all types of audits (b) it works on both offline and on-line mode and (c) it uses single centralized database and (d) its maintenance is simple and convenient.

Transaction Monitoring & Fraud Prevention

Your Bank is having a fully equipped Transaction Monitoring & Fraud Prevention Department with state of the art monitoring tools. The transactions in Core Banking, various online Channels and those related to Money Laundering are monitored by the Transaction Monitoring team. Considering increased technology led vulnerability in the market due to transaction related incidents and to bring all transaction related monitoring under one umbrella, AML Cell was shifted to Transaction Monitoring and Fraud Prevention Department in the month of May 2016. In order to ensure speedy and prompt remedial measures on identification of fraudulent transactions and attempted malpractices, Vigilance Head was made the reporting authority of Transaction Monitoring and Fraud Prevention Department. Transaction Monitoring and Fraud Prevention Team is working 24 X 7 to identify suspicious online transactions and take immediate remedial measures to prevent further occurrence.

Legal Compliance:

The rising global competition and the advancements in internet and mobile technology have led to the introduction of innovative technology products and delivery channels, which have increased the legal risks faced by Banks. Legal Department of your Bank formulates processes and controls that can effectively manage and mitigate the legal risks emanating from day to day business transactions of the Bank. Your Bank has a well laid down system to ensure defect free documentation so as to minimize the menace of legal risk associated with the operational risk.

New products and schemes introduced by your Bank invariably undergo legal vetting by the department for ensuring legal compliance and proper analysis of legal risks involved. The 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 the department based on verdicts rendered by Supreme Court/various High Courts/Tribunals and Educational Series christened as "Legal Spectrum" are very informative and well

accepted. Legal Department, a repository of statutes, brings to the notice of offices/branches relevant amendments/modifications made to statutes from time to time. The Department has formulated a frame work for legal compliance of local laws compiling the Land and Stamp Laws, related customs and practices etc., in vogue in different states for guidance of branches/offices, especially for the use of those who are posted to a branch outside their home state. The Department has been extending faculty assistance to Federal Knowledge and Development Centre on legal topics. With a view of imparting awareness on latest developments/ amendments in law and to strengthen the knowledge base of the legal officers of the Bank, the department is conducting Biennial Conference of Legal Officers where legal luminaries address the participants on contemporary topics.

Regulatory Compliance:

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

Marketing

The year was remarkable in more than one way for Marketing Department. The year saw your Bank adopting 'Digital' as one of the main channels for the Bank's advertising forays. The increased focus on 'Digital' as a marketing instrument comes from the fact that it ensures maximum coverage at minimum spend. In keeping with the times, your bank institutionalized its digital marketing

spend instead of simply aggregating random digital activities, so that the Bank is 'always on' with respect to its digital presence. NRI segment holds special significance for your Bank as a result of which the Bank commissioned an exclusive NRI campaign during the NRI holiday season by utilizing high impact advertising avenues such as hoardings and radio spots.

The year will also be remembered as one in which the world was introduced to the novel concept of Unified Payment Interface which provides the users with the comforts of managing their accounts with different Banks through a single app. Your Bank was one of the first to hop on to the UPI bandwagon through its proprietary UPI app – Lotza. The Bank did a merchant level campaigning for the same to onboard as many merchants as possible. It was part promotional and part educational as the UPI concept is still in its infancy. Your Bank partnered with M/s Google to market Lotza via the 'Digital' mode. This partnership yielded wide publicity and acceptance for the Lotza app. To build momentum for Lotza a campaign was rolled out utilising all the available modes from digital to 'Out-of-Home' advertising like hoardings, bus branding and strategically slotted radio spots.

To showcase the brand as a fun-to-work-with-brand, an employee level engagement initiative was run where in employees filmed their talents (be it a skit or a short film or a song or other such activities) and the best films were viralled organically through the Bank's social media pages viz Facebook, YouTube, Twitter and WhatsApp

The year also witnessed your Bank organising 'a first of its kind event' in Mumbai christened 'Digital Day' which showcased the Digital strengths of the Bank in front of a packed audience which consisted of the top executives from the corporate circles of Mumbai. The day also witnessed the launch of one more of our unique offering – Lotza UPOS. The 'Speak for India' events have now become a sought after event among the student community in the country. In addition to the Speak for India – Kerala and Karnataka edition, the year also witnessed the launch of Speak For India – Maharashtra edition. The event has been garnering widespread popularity and the year was no different as the three editions successfully drew some of the vibrant speakers and resulted in widespread publicity for your Bank. The 15th edition of the Hormis Memorial lecture was also organised with much fanfare.

Service Quality:

Increased competition, highly educated customers, and increase in standard of living has forced Banks to review their customer service strategy. With all banks providing uniform products and services, quality is one aspect that is going to be the decisive factor for the Bank as well as the customer.

Your Bank initiated a Quality movement from 2012 with the following objectives:

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

A process team has been deployed to create an in-house capability to improve all customer critical processes on the go. The team is also equipped with sound measures to evaluate various customer touch points with respect to quality and improve them dynamically.

Customer Grievance:

a	No. of complaints pending at the beginning of the year	42
b	No. of complaints received during the year	3115
c	No. of complaints redressed during the year	3099
d	No. of complaints pending at the end of the year.	58

*58 complaints outstanding were received during last two weeks of the FY. Out of the complaints, 45% are process related, 14 % are loan related, 20% are ATM/CDM/POS related, 10% deposit related, 9% related to Ombudsman complaints and 2% relate to various other areas. Your Bank has a process to analyse the root cause analysis of the complaints leading to fine tune process and bring corrections wherever necessary.

Awards passed by the Banking Ombudsman:

**Awards pending from 2012. Appeal rejected by Appellate Authority, case filed in high court and stay obtained.

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

Strategic Planning:

The Corporate Planning Department of your bank works towards developing effective and future ready strategies and capabilities to helping the bank achieve its goals. The department co-ordinates diverse functions like Planning, Budgeting, Monitoring of Business Performance, Business Analytics, Cost Management and Management Information systems. The bank with 1252 branches and 1667 ATMs has widespread presence across the length and breadth of the country. With the presence in key centres, your bank continues to build its business with granularity.

With an accurate, integrated and comprehensive reporting system in place through the MIS wing, your bank aims to drive strategic planning and corporate performance, as well as develop future-ready capabilities. The team provides many reports to various stake holders for business development, monitoring and risk management. This enhances the knowledge of driving forces of the operating environment thereby sensitising the branches and offices to weak signals and future trends, and keeping the stakeholders informed of strategic priorities and goals.

Online Systems in the form of performance scorecards are in place for branches, to monitor their performance, seeking out emergent risks as well as benchmarking their performance against longer term goals. Richer analytics-driven insights are leveraged and provided to the branches centrally to enable a more personalised approach to targeting and engaging with consumers.

With growing costs and intermittent market crises, Strategic Cost Management has become a necessity to ensure sustainability in the long run. The planning department through its Strategic Cost Management Cell is maintaining a holistic approach, while connecting cost reduction and investment decisions and adopting an agile operating model.

Corporate Social Responsibility

Corporate Social responsibility (CSR) has been an inherited & inbuilt element of our fundamentals - right from the day your 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. For us in Federal Bank, reaching out people who needs assistance is part of the values passed by our founder. The objectives we intend to achieve through CSR programs aims at developing communities and environment sustainability to create a protected future for the generations to come. The Corporate Social Responsibility activities of 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.

Objectives

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

employees and shareholders.

CSR Initiatives covered by the policy

1. Poverty alleviation
2. Education and skill development
3. Gender equality and welfare of senior citizen
4. Ensuring environmental sustainability and ecological balance
5. Protection of National Heritage
6. Benefit of Armed Force veterans
7. Promote rural, nationally recognized Paralympics and Olympic sports
8. Contribution to Prime Minister's National Relief Fund or any other funds set up by the Central Government.
9. Providing financial assistance to technology incubators
10. Development projects for rural and slum areas

Overview of major programs undertaken during FY 2016 – 17 are given below.

Federal Bank Hormis Memorial Foundation

Federal Bank Hormis Memorial Foundation was set up in 1996 in the fond memory of our founder Shri. K P Hormis. The foundation and its activities were inaugurated by the then Finance Minister Shri. P Chidambaram at Ernakulam on 18.10.1996. The Hormis Memorial Foundation acting as special vehicle for the implementation of CSR activities of the Bank.

Federal Bank Hormis Memorial Foundation Scholarships:

The foundation is providing scholarships to the needy students for pursuing professional courses from the year 2005-06. During the year 2016-17 the trust offered assistance to 100 meritorious students, 20 students from each streams – Medicine, Engineering, BSc (Agri), BSc. (Nursing) & MBA.

K P Hormis Commemorative Lecture: The Foundation under the patronage of Federal Bank hosts a popular series of annual lectures by eminent personalities on contemporary issues of relevance for general enlightenment and edification of the masses. The K P Hormis Commemorative Lecture Series was instituted for the purpose of creating a window for society to learn about the developments in various fields (primarily Finance and Banking) right from the luminaries who were thought leaders in such fields. During the year 2016-17, 15th Annual lecture was delivered by Shri. Arvind Subramanian, Chief Economic Advisor to the Govt. of India on the topic 'Surprises of the Indian Economy'.

Comprehensive Center for Cognitive Rehabilitation of Children at SCTIMST

Federal Bank joined hands with SreeChithiraThirunal 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 also integration of such children into the mainstream education system and providing adequate support to the child and family. The first Phase of the project is expected to be completed this year which includes one-to-one therapy rooms, soft play area for occupational therapy and a pediatric gym.

Support to Cancer Treatment – Ernakulam General Hospital

Cancer treatment facilities at Ernakulam District under Government Sector is still in the developing stage and patients are forced to go either to the expensive private hospitals or to other cities for getting the treatment. Oncology Department of Ernakulam General Hospital is one of the biggest facility in Government sector in cancer treatment. Considering the need for cancer care under Government Hospitals and large number of patients coming for treatment, Ernakulam General Hospital is going ahead with renovation of their Oncology department by acquiring a Linear Accelerator machine (LINAC), the device most commonly used for patients with cancer. Your bank has joined in this noble venture with Ernakulam General Hospital and extended financial support for procuring the Linear Accelerator.

Dialysis room – A P Varkey Mission Hospital, Arakkunnam

Your bank has assisted A P Varkey Mission Hospital in constructing a dialysis room for treating poor patients suffering from kidney malfunction. Arakkunnam is an area located distant from the city center and A P Varkey Mission Hospital is the only major hospital available there. A dialysis center was an urgent need for patients from Arakkunnam otherwise extensive travel was required to reach hospitals at Kochi.

Assistance to Autistic Youth - Ensuring Self Sufficiency

Your Bank is providing financial assistance to Shradha Charitable Trust, Mumbai which is a registered non-profit vocational workshop founded in 1998, empowers and rehabilitates severely autistic and mentally challenged young adults and enables them to earn a living. Shradha adopts a pioneering and creative approach where young adults with autism and developmental delay are encouraged and assisted to take small steps towards self-sufficiency. By handcrafting and selling tastefully designed and internationally appreciated eco-friendly products, Shradha provides a means of livelihood and support for those that are often assumed to lead a dependent life.

Providing basic amenities for Scheduled Tribes in Wayanad District

Wayanad district of Kerala consists of large number of Scheduled tribes colonies where living standards are far below and are lacking basic amenities. Your bank has joined hands with District authorities of Wayanad District in providing basic facilities like Drinking water, Toilet, Electricity, Proper Housing etc. to the Scheduled Tribe colonies.

Swachh Bharat Mission – Construction of toilets

We responded positively to the call of our Prime Minister in the Swachh Bharat Mission by sponsoring toilet facilities for poor people.

Development of Rural Sports

Football is a game which is mainly focused at city levels and talented youth from rural areas are denied opportunities to fine tune their skills in the sports. Your Bank identified this gap and joined hands with a Football club for starting a Football academy at a rural district. This venture will provide the rural youth the much desired exposure to the Game in all levels from basic village level to International level. The team will be playing a large number of tournaments across the country.

Conservation of species and wild life – Partnering with WWF

Conservation of wild life and maintaining an ecological balance was always a priority for us in the CSR activities. We have joined hands with WWF (World Wide Fund for Nature India) for conserving threatened species of Snow Leopard in the Western Arunachal Landscape.

Promoting Support to Environmental Sustainability: Plastic Exchange Counter at Sabarimala

To ensuring Environmental sustainability and to prevent plastic menace at holy temple Sabarimala, for the past two years, we had opened a “Plastic Exchange Kiosk” at Pamba. The activity was aimed at collecting plastic covers and used bottles from pilgrims and handing over to them Eco friendly bags specially designed for their use free of cost.

Jyothi Comprehensive Educational Project, Ernakulam District

Jyothi Comprehensive Educational project is aiming to improve the basic infrastructure and environment at Govt. schools and provide career oriented professional coaching to socially and economically backward students studying there. Presently the project is providing coaching for medical / engineering entrance examinations to 400 students in the four educational blocs of Ernakulam District. We have given our support to this project to give medical / entrance coaching for students who finds it difficult to pay fees for attending entrance coaching at reputed coaching centers

Federal Skill Academy

As part of the Corporate Social Responsibility initiatives, your Bank started the Federal Skill Academy at Kochi on Founder's Day - 2015 to impart quality technical education to merit oriented candidates coming from economically underprivileged background. The skill

academy opened at Kochi was a great success and a large number of students received the benefit from the Academy. Considering the success of Kochi Skill academy, your Bank opened a new skill academy at Coimbatore to extend our supporting hands to the students from Tamilnadu in FY 2016-17. The students during the three month certification course underwent rigorous training program in soft skills improvement and technical skills along with industry exposure to attain the IAPMO/COINDIA Certification which is recognized worldwide.

Federal Skill Academy – Kochi: Kochi center was started on Founder's Day 2015 and admitted 240 students in 10 batches from different backgrounds viz Engineering, Polytechnic, and ITI. We also give admission to dropouts from schools/colleges who are struggling to return to the mainstream. The center is offering training on air-conditioning which is backed by IAPMO certification (International Association of Plumbing and Mechanical Officials) which is recognized worldwide. Placement assistance was also given to the candidates in leading organizations like Bluestar, Bosch, BPCL etc.

Federal Skill Academy – Coimbatore: Observing the success of Kochi Skill Academy and the need for such facility for the students from Tamilnadu, a second skill academy was started at Coimbatore during the FY 2016-17. The center is offering CNC machine operator course in collaboration with COINDIA (Coimbatore Industries Association). 110 students joined the Skill Academy in five batches and the successful candidates got placements at leading organizations like Mahindra Industries, Suguna Pumps, Sharang Industries etc.

Federal Bank Speak for India – Youth engagement initiative

In the year 2014-15, your Bank launched a state-wide student debating competition in Kerala under the auspices of Federal Bank Hormis Memorial Foundation. This Financial year, we covered three states – Kerala, Karnataka & Maharashtra under this mass youth engagement program and was attended by more than One lakh students from three states. The contest provided a platform for the college students, right from the block level upwards, to showcase their reasoning talents that take them forward in the path of self-development. The event gave a unique opportunity for the young talents to prove their mettle and nurture their debating & communication skills and thereby increase their self-confidence. The winners of the Grand Finales of Kerala, Karnataka & Maharashtra were given cash awards and scholarships for pursuing higher studies.

Federal Bank Speak for India – Kerala Edition: Shri. Noufal N emerged as winner for Speak for India – Kerala edition where 12,000 students from various colleges of Kerala participated. The grand finale was conducted at Kozhikode, which was attended by

Shri. Pinarayi Vijayan, Honorable Chief Minister of Kerala and given the awards to the winner.

Federal Bank Speak for India – Karnataka Edition: The grand Finale of Speak for India - Karnataka was held at Bangalore which was attended by Shri. Priyank Karge Honorable Minister of IT & Tourism of Karnataka. Shri. Shelwyn Thomas of Christ University emerged as winner from 40,000 competitors and received the award from the Honorable Minister.

Federal Bank Speak for India – Maharashtra Edition: Shri. Devendra Fadnavis, Honorable Chief Minister of Maharashtra announced the winner in the grand finale conducted at Mumbai and presented the awards to Shri. Utkarsh Rathi Who emerged as winner from a stiff competition of 50,000 students from the state of Maharashtra.

Bandhan – Adoption of Schools

As part of our Founder's day celebrations of year 2013, we have started a new scheme "Bandhan" under which each branch could adopt one deserving school in their locality. In the first phase we have supplied drinking water facility to the 1200 adopted schools as a CSR initiative. Later many projects were launched to improve sanitation, infrastructure and other facilities to the adopted schools.

Last year we had constructed/renovated toilets for schools, supplied basic furniture, supplied uniform materials, provided drinking water facilities and computer lab to the adopted schools. The project was done in alignment with the Swachh Bharat / Vidyalaya mission of the Government. The activity would be continued this year as well to build more toilets/parks/ setting up computer labs / libraries / provide clean drinking water to the adopted schools those lack primary facilities.

SEED-Student Empowerment for Environment Development

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 five years.

Ind AS Implementation:

The Ministry of Corporate Affairs (MCA), Government of India has notified the Companies (Indian Accounting Standards) Rules, 2015 on February 16, 2015. The MCA had issued a Press Release dated January 18, 2016 outlining the roadmap for implementation of International Financial Reporting Standards (IFRS) converged Indian Accounting Standards for banks, non-banking financial companies, select All India Term Lending and Refinancing Institutions and insurance entities.

Banks shall comply with the Indian Accounting Standards (Ind AS) for financial statements for accounting periods beginning from April 1, 2018 onwards, with comparatives for the periods ending March 31, 2018 or thereafter. Ind AS shall be applicable to both standalone financial statements and consolidated financial statements.

With respect to the various instructions from MCA and Reserve bank of India (RBI), the progress of implementation is as follows:

- A steering committee was formed by MD & CEO with ED & CFO as its Chairman with members from all cross-functional departments.
- The impact of the financial reporting systems and processes are being carried out in detail.
- The Proforma Ind AS financial statements and the information was submitted to RBI, as required by RBI Circular DBR. BP.BC.No.106/21.07.001/2015-16 dated June 23, 2016.
- The training of employees is planned on a phased manner.

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

WHY SETTLE FOR LESS?

COMMAND MORE ESTEEM

Gone are the days when customers used to settle for something less than their dream car owing to financial constraints! With easy car loans from Federal Bank, customers can now own the car of their dreams at the lowest interest rate. Studded with amazing features like free personal accident insurance, transparent charges and faster processing, Federal Bank Car Loan has a longer repayment period of 7 years which in turn lowers the EMIs considerably.



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. This Code represents a set of desirable, if not necessarily ideal, corporate-governance practices to be adopted by the Bank. The Code takes into account the relevant statutory and current stock-exchange listing requirements and Reserve Bank of India (RBI) directives and other guidelines under the Companies Act 2013. The efficacy of the Code lies in how well it is put into practice. In adopting the Code, the stress is in its substance and spirit rather than on its form.

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 was last amended in the Board Meeting held on 18 February 2017, briefing in line with the provisions of Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Agreement") and RBI regulations. A copy of the Code is available on request for the members of the Bank, and relevant portions are available on the website of the Bank.

Board of Directors

The composition of the Board of Directors is governed by the Banking Regulation Act, 1949, the Companies Act, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the Code of Corporate Governance adopted by the Bank. The Board comprises of 10 Directors as on 31 March 2017, with rich experience and specialized knowledge in various areas of relevance to the Bank, including banking, management, risk management,

accountancy, economics, MSME, finance, SSI, agriculture, treasury, investments, governance, compliance, strategic planning and information technology.

Mr. Sudhir M Joshi ceased to be the Director of the Board of the Bank w. e. f 28 February 2017, on completion of 70 years of age. The Board places its appreciation for the valuable contributions made by him for the overall development of the Bank.

Mr. Ganesh Sankaran was appointed as Executive Director on the Board of the Bank, with effect from 04 July 2016 for a period of two years for which approval was obtained vide letter DBR Appt No.163/08.38.001/2016-17 dated July 4, 2016.

Excluding MD & CEO and ED, all other members of the Board are Non-Executive and Independent Directors.

Mr. Shyam Srinivasan, MD & CEO of the Bank was reappointed as the MD & CEO for a period of three years with RBI approval, with effect from 23 September 2016 till 22 September 2019 vide letter No.DBR Appt No.1374/08.38.001/2016-17 dated 28 July 2016.

During the year Mr. K M Chandrasekhar was appointed as the Part Time Chairman of the Bank for a period of one year with effect from 01 March 2017 for which RBI approval was obtained vide letter DBR Appt No.1062/08.38.001/2016-17 dated 07 March 2017.

No relationship exists between the Directors of the Bank.

Mr. Ashutosh Khajuria, Executive Director and CFO is liable to retire by rotation at this AGM as per the Companies Act, 2013. All the Independent Directors except Mr. C Balagopal will be reappointed as the Independent Directors of the Bank for the second term in the forthcoming AGM.

Eleven Board Meetings were held during the Financial Year ended 31 March 2017. The dates of the Board Meetings were 30 April 2016, 25 May 2016, 21 June 2016, 22 July 2016, 11 August 2016, 22 September 2016, 25 October 2016, 22 December 2016, 19 January 2017, 18 February 2017 and 10 March 2017.

Attendance Details for Board meetings of the Directors as on 31 March 2017 and shareholding details of Directors is given below.

Name of Director	Designation	No of Board Meetings attended/ held during the year 2016-17	Attendance at Last AGM held on 11 August 2016	Shareholding of Directors as on 31 March 2017
Mr. K M Chandrasekhar	Part time Non Executive Chairman	11/11	Present	----
Mr. Sudhir M Joshi ^	Independent Director	10/11	Present	----
Mr. Nilesh S Vikamsey	Independent Director	11/11	Present	----
Mr. Dilip G Sadarangani	Independent Director	11/11	Present	----
Mr. Harish H Engineer	Independent Director	8/11	Present	----
Mrs. Grace Elizabeth Koshie	Independent Director	11/11	Present	----
Mrs. Shubhalakshmi Panse	Independent Director	10/11	Present	----
Mr. C Balagopal	Independent Director	9/11	Present	----
Mr. Shyam Srinivasan	MD & CEO	11/11	Present	200,000
Mr. Ashutosh Khajuria	Executive Director	11/11	Present	42,000
Mr. Ganesh Sankaran %	Executive Director	8/11	Present	----

^ Mr. Sudhir M Joshi ceased to be a Director of the Bank w.e.f 28 February 2017.

% Mr. Ganesh Sankaran was appointed as Executive Director on the Board of the Bank, with RBI approval on 04 July 2016.

*(Forming part of the Directors' Report for the year ended 31 March 2017)

Note:

1. None of the Directors of the Bank were members in more than 10 committees nor acted as Chairperson of more than 5 committees across all Public Limited Companies in which they were Directors.
2. None of the Independent Directors of the Bank held directorship in more than seven Listed Companies.
3. None of the Whole Time Directors hold Independent directorship in more than three Listed Companies.
4. None of the Directors of the Bank is related to any Director of the Bank.
5. None of the Directors have any business relationship with the Bank.
6. None of the Directors have received any loans and advances from the Bank during the year.

Directorship of Bank's Directors in other Companies as required to be disclosed are as follows:

Name of the Director	Name of the Company (Directorship in other Indian Public Limited Companies)	Name of Committees in other Indian Public Limited Companies*	Chairman/ Member in other Indian Public Limited Companies
CA. Nilesh S Vikamsey	IIFL Holdings Limited	Audit Committee	Member
	SBI Life Insurance Company Ltd	Audit Committee	Member
		Policy Holder Protection Committee	Member
	IIFL Wealth Management Ltd	Audit Committee	Member
	Navneet Education Ltd	Audit Committee	Member
	India Infoline Finance Limited	-	-
	Thomas Cook (India) Ltd.	Audit Committee	Chairman
	PNB Housing Finance Limited	Audit Committee	Member
NSEIT Limited	Audit Committee	Member	
Ms. Shubhalakshmi Panse	IL&FS Financial Services Ltd	Audit Committee	Member
	L&T IDPL	Audit Committee	Member
	Chola MS General Insurance Ltd	Audit Committee	Member
	Atul Limited	-	-
	Catalyst Asset Reconstruction Company	-	-
	L & T Infotech Limited	-	-
	Sudarshan Chemical Industries Limited	-	-
Ms. Grace Elizabeth Koshie	First source Solutions Ltd	Audit Committee	Member
Mr. Dilip G Sadarangani	Fedbank Financial Services Limited	Audit Committee	Member
Mr. Harish H Engineer	Barclays Investments and Loans (India) Ltd	Subsidiary Audit Committee	Member
	Infrastructure Leasing and Financial Services Ltd	Audit Committee	Member
	IIML Asset Advisors Limited	Audit Committee and Conflicts Committee	Chairman
	HDFC Property Ventures Ltd	Audit Committee	Chairman
	Peerless Funds Management Company Ltd.	Audit & Risk Committee	Member
	Birla Sunlife Pension Management Ltd.	Audit & Risk Committee	Member
	Piramal Finance Limited	Audit Committee	Member
	Navin Fluorine International Limited	-	-
Mr. K M Chandrasekhar	Nil	Nil	Nil
Mr. C Balagopal	Agappe Diagnostics Limited	Nil	Nil
Mr. Shyam Srinivasan	IDBI Federal Life Insurance Company Limited	Policy Holder Protection Committee	Member
	Fedbank Financial Services Limited	-	-
Mr. Ashutosh Khajuria	IDBI Federal Life Insurance Company Limited	-	-
Mr. Ganesh Sankaran	Nil	Nil	Nil

*As per Section 26 (1) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 chairmanships/ memberships of the Audit and Investor's Grievance, Share Transfer and Stakeholder Relationship Committee of relevant Public Limited Companies are given above.

Board Procedure

All the matters included in the Agenda for discussion in the Board/Committees of Board are backed by comprehensive background information to enable the Board/Committee to take informed decisions. Agenda papers are generally circulated in advance prior to the meeting of the Board/Committee. Also the Board/Committee agenda contains the Action Taken Report of the directions taken at previous meetings. The members of the Board exercise due diligence in performance of their functions as Directors of the Bank and follow highest degree of business ethics, transparent practices and code of good governance amidst cordial environment. The Board of Directors of the Bank also periodically review the compliance report of applicable laws to the Bank and steps are being taken by the Bank to rectify any instances of non-compliances. The Board of the Bank also ensures that proper plans are put in place for orderly succession of appointment to the Board and to senior management of the Bank.

The Board consists of not less than 51% of Board of Directors as Non-Executive Directors with two Women Directors. The Board consists of at least one third of Directors as Independent Directors and the Chairman of the Board is a Non-Executive Independent Director.

Remuneration to Directors

Mr. Shyam Srinivasan, MD & CEO, was paid ₹ 11,376,046 (gross) and Mr. Ashutosh Khajuria, Executive Director & CFO who joined the Board as Executive Director from 28 January 2016, was paid ₹ 8,071,271 (gross), as remuneration for the year in accordance with the terms and conditions approved by Reserve Bank of India. Mr. Ganesh Sankaran, Executive Director, who joined the Board on 04 July 2016 was paid ₹8,460,276 (gross), as remuneration for the FY 2016-17.

During the year RBI vide letter DBR Appt No.1374/08.38.001/2016-17 dated 28 July 2016 gave permission for the reappointment of Mr. Shyam Srinivasan, as MD & CEO of the Bank for a period of three years on the existing terms and conditions w.e.f, 23 September 2016 to, 22 September 2019, on completion of second term of service as MD & CEO of the Bank. No variable pay was paid during the year to the Managing Director/Executive Directors of the Bank during the year. Mr. K M Chandrasekhar on being appointed as the Part Time Chairman of the Bank is paid remuneration of ₹ 1.25 lakh per month with RBI approval.

- 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 company or their promoters or directors during the two immediately preceding financial years.
- 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

which is disclosed on the Bank's website, the web link to which is : <http://www.federalbank.co.in/shareholder-information>

The Non Executive - Independent Directors are paid sitting fees as per the provisions of Companies Act, 2013 and as per the Listing Agreement as indicated below:

Sl. No	Name of Directors	Sitting fee paid to Non Executive - Independent Directors for FY 2016-17
1.	Mr. K. M. Chandrasekhar*	₹1,635,000
2.	Mr.Nilesh S Vikamsey#	₹4,430,833
3.	Mr. Sudhir M Joshi@	₹1,400,000
4.	Mr. Dilip G Sadarangani	₹1,805,000
5.	Mr. Harish H Engineer	₹1,190,000
6.	Ms. Grace Koshie	₹1,950,000
7.	Ms. Shubhalakshmi Panse	₹1,780,000
8.	Mr. C Balagopal	₹1,170,000
	Total	₹15,360,833

Includes an amount of ₹1.25 lakhs per month paid as remuneration with the approval of Board and RBI during the year to Mr. Nilesh Vikamsey, who was the Chairman of the Bank upto 28 February 2017 in addition to sitting fees for attending Board /Committee meetings. Also includes an amount of ₹10,45,833 paid to Mr.Nilesh Vikamsey as remuneration for the period 20 June 2015 to 29 February 2016 after getting the approval of RBI vide letter no. DBR.Appt. No.11006/08.38.001/2015-16 dated 02 March 2016.

*Mr .K M Chandrasekhar, was elected as the Chairman of the Board of the Bank w.e.f 01 March 2017 for which RBI approval was obtained vide letter DBR.Appt. No.1062/08.38.001/2016-17 dated 07 March 2017.

@ Mr. Sudhir M Joshi ceased to be a director of the Bank w.e.f 28 February 2017.

The details of remuneration paid to Mr. Shyam Srinivasan, MD & CEO, Mr Ashutosh Khajuria and Mr. Ganesh Sankaran, Executive Directors during FY 2016-17 are as under:

Particulars	Mr.Shyam Srinivasan MD & CEO* (₹)	Mr. Ashutosh Khajuria ED & CFO* (₹)	Mr. Ganesh Sankaran Executive Director * (₹)
Basic Pay	9,916,650	2,000,004	2,000,004
House Rent Allowance	----	----	1,400,004
Servant Wages	83,338	----	----
Drivers Wages	39,600	39,600	39,600
Subscription to periodicals	----	----	----
Medical Expenses	----	----	----
Premium on Mediclaim Policy	----	----	----
Leave Encashment	----	556,667	----
Leave Travel Concession	----	----	----
PLI	----	----	----
Other Perquisites	1,336,458	975,000	520,668
Fixed Personal Pay	----	4,500,000	4,500,000
Total	11,376,046	8,071,271	8,460,276

* Paid with the approval of RBI

Note:

1. No stock options were granted to MD &CEO, Executive Director (Mr. Ashutosh Khajuria after becoming Executive Director) during FY 2017. Mr. Ganesh Sankaran, Executive Director was granted 3,00,000 options during FY 2016-17. The options will be vested over a period of 4 years in equal installments starting after minimum of 12 months from the date of grant and exercisable over a period of 5 years from the date of vesting.

2. In addition to above Provident Fund of ₹ 9,91,665.00 was paid to Mr. Shyam Srinivasan, MD &CEO, ₹ 2,00,004.00 was paid to Mr. Ashutosh Khajuria, Executive Director & CFO and ₹ 2,00,004.00 to Mr. Ganesh Sankaran, Executive Director during FY 2016-17

Appointment of Independent Directors, Criteria of Independence and Tenure 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 of the Bank are disclosed on the website of the Bank and the web link to it is given below:

<http://www.federalbank.co.in/documents/10180//63602//Terms+and+conditions+of+Appointment+of+Independent+Directors/4e33ba77-1cc5-42b4-aa02-ab4b84a62324>

All the Independent Directors of the Bank satisfy the criteria of Independence as contained in the Banking Regulation Act, 1949, RBI Regulations, Companies Act, 2013 and as per the Listing Agreement. 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.

Separate meeting of Independent Directors and Familiarization Programme

A separate meeting of the Independent Directors of the Bank was held on 31 March 2017.

Terms of Reference are:

In the meeting of Independent Directors the following activities are undertaken:

- a) To review the performance of the management during the year.
- b) To evaluate/review of the performance of non-independent directors of the Bank, the Board/ Committees of Board
- c) To review the performance of the Chairperson of the Bank were also considered.
- d) To assess the 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.

Attendance Details are given below.

Name of the members	Category	No of meetings attended/ held during 2016-17
Mr. K. M. Chandrasekhar	Non Executive-Independent Director	1/1
Mr.Nilesh S Vikamsey	Non Executive-Independent Director	1/1
Mr. Dilip G Sadarangani	Non Executive-Independent Director	1/1
Mr. Harish H Engineer	Non Executive-Independent Director	1/1
Ms. Grace Koshie	Non Executive-Independent Director	1/1
Ms. Shubhalakshmi Panse	Non Executive-Independent Director	1/1
Mr. C Balagopal	Non Executive-Independent Director	1/1

All the Independent Directors attended the meeting.

The Bank familiarizes the Independent Directors with their roles, rights and responsibilities in the Bank at the time of appointment and also on a continual basis. The Bank also familiarizes the Independent Directors with the nature of the industry in which the Bank operates, business models and other important matters relating to Bank's business. Some of the major familiarization programs conducted during FY 2016-17 includes

- i) Cyber Security Presentation/ Training,
- ii) Presentation on Start- up Initiatives of the Bank,
- iii) Implementation of Risk Assessment Model (RAM) and CRISIL Retail Scoring System (CRESS)
- iv) Presentation on Internal Capital Adequacy and Capital Planning. The details of the familiarization programme/ training given to Directors of the Bank for FY 2016-17 are disclosed in the Bank's website:

<http://www.federalbank.co.in/documents/10180//5471355//Familiarisation+Program+for+Independent+Directors/213ebc6b-7a8e-4f36-9ba3-1d913a62d3c2>

The roles, rights and responsibilities of Independent Directors are disclosed in the Bank's website and a web link thereto is: <http://www.federalbank.co.in/documents/10180/45777/Corporate+Governance.pdf/e5b848c8-8bc4-480e-a7dd-33db81258edb>

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) Contributes to discussions on strategy as opposed to focus only on agenda
- iv) Participate constructively and actively in the Committees of the Board in which they are chairpersons or Members
- v) Exercises his/her skills and diligence with due and reasonable care and brings an independent judgement 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 sufficient understanding and knowledge of the entity and the sector in which it operates.

The outcome of the evaluation of the Independent Directors of the Bank are detailed in Directors' Report.

Board Committees and its terms of Reference

Audit Committee

The Audit Committee consists of three non-executive, Independent Directors, chaired by Ms. Grace Elizabeth Koshie, a Non-Executive Independent Director. The members of the Committee as on 31 March 2017 are Mr. Nilesh S Vikamsey, and Ms. Shubhalakshmi Panse who are Non-Executive Independent Directors. The Committee was re-constituted once in the financial year 2016-17 on 28 February 2017.

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

The terms of reference of the Audit Committee and incorporated in the Bank's Code of Corporate Governance, are in accordance with the listing agreements entered into by the Bank with Stock Exchanges where the Bank's shares are listed, 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
 - i) monitoring and reviewing the effectiveness of the Internal audit function;
 - ii) 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;
 - iii) approving internal audit plan, scope and budget;
 - iv) reviewing and discussing internal audit reports;
 - v) ensuring internal audit function maintains open communication with senior management, external auditors, the supervisory authority, and the audit committee;
 - vi) assessing the performance of the head of the internal audit function; and
 - vii) 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 into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.
8. Review and have oversight of the Bank's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient, and credible, and present a true and fair view of the state of affairs and of the profit or loss of the Bank for the relevant financial year or other period as the case may be;
9. Recommend to the full Board for shareholders' approval, the appointment, reappointment, removal, or replacement and terms of appointment of auditors, and the fee payable to them for the audit, taking into consideration any relationship between the auditors and the Bank that may impact on the independence of the auditors in carrying out the audit.
10. Approve the terms of engagement of the services of the external/statutory auditors for rendering any other professional services to the Bank and the fee therefore;
11. Discuss with the external auditors, before they commence the audit, the nature and scope of the audit, and ensure coordination where more than one audit firm is employed.

12. 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
 - ii) major accounting entries involving estimates based on the exercise of judgment by management
 - iii) significant adjustments made in the financial statements arising out of audit findings;
 - iv) compliance with the applicable accounting standards;
 - v) compliance with listing and other legal requirements relating to financial statements, and RBI guidelines and directives, concerning financial policies and statements;
 - vi) to review the company's statement on internal control systems prior to endorsement by the Board
 - vii) the going-concern assumption;
 - viii) disclosure of any related-party transactions, i.e., transactions of the Bank with the Directors, senior executives, their relatives, or associated concerns, that may potentially conflict with the Bank's interests at large; and
 - ix) modified opinion(s) in the draft audit report;
 - x) matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (c) of sub-section 3 of section 134 of the Companies Act, 2013
13. 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, and
 - 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.
30. Review arrangements by which staff of the bank may con-

fidentially raise concerns about possible improprieties in matters of financial reporting.

31. 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.

Powers of Audit Committee:

The Audit Committee shall have the authority to –

- i) 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.
- ii) discuss any related issues with the internal and statutory auditors and the management of the company.
- iii) investigate into any matter in relation to the items referred to it by the Board.
- iv) investigate any activity within its terms of reference, seek information from any employee, obtain outside legal or other professional advice.
- v) have full access to information contained in the records of the Bank

Review of information by Audit Committee as per LODR, Regulations, 2015

The Audit Committee shall mandatorily review the following information:

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

Other matters

1. In carrying out its functions as aforesaid, the Committee shall have full access to information contained in the Bank's records and may seek information from any employee of the Bank, or, if considered necessary, obtain outside legal or other professional advice, or discuss with outsiders having the relevant expertise, and thereafter place the same to the Board.
2. The chairperson of the committee shall be present at Annual general meeting to answer shareholder queries.
3. The Company Secretary shall act as the secretary to the Audit committee.
4. The minutes of the Committee meetings and decisions taken by the Committee shall be promptly submitted to the Board.
5. The Auditors and key managerial personnel shall have a right to be heard in the meetings of the Audit Committee when it considers the auditor's report but shall not have the right to vote.

The Audit Committee met 8 (eight) times during the year on 30 April 2016, 25 May 2016, 22 July 2016, 06 October 2016, 25 October 2016, 21 December 2016, 18 January 2017 and 10 March 2017.

Attendance Details are given below.

Name of the members	Category	No of meetings attended/ held during 2016-17
Mrs. Grace Elizabeth Koshie	Non Executive-Independent Director	8/8
Mr. Nilesh S Vikamsey	Non Executive-Independent Director	8/8

Name of the members	Category	No of meetings attended/ held during 2016-17
Mr. Dilip G Sadarangani@	Non Executive-Independent Director	7/8
Mrs. Shubhalakshmi Panse	Non Executive-Independent Director	8/8

@Mr. Dilip G Sadarangani ceased to be a member w.e.f. 28 February 2017 as per the reconstitution of the Committee approved by the Board .

Nomination, Remuneration, Ethics And Compensation Committee

The Committee is chaired by Mr Nilesh S Vikamsey, and consists of Mr K M Chandrasekhar and Mr Dilip G Sadarangani as members. The Committee was re- constituted once in the financial year 2016-17 on 28 February 2017. All the members of the Committee are Non Executive Independent Directors.

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

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

1. recommending to the Board for its consideration and approval on the size and composition of the Board taking into account the available and needed diversity and balance in terms of experience, knowledge, skills, and judgment of the Directors;
2. reviewing, from time to time, possible candidates for current or potential Board vacancies, including Directors who are to retire and are eligible for reappointment or re-election and other persons who may be recommended by the Chairman or the MD&CEO or other Directors, shareholders or others;
3. recommending to the Board, candidates for election (including re-election) or appointment (including reappointment) to the Board.
4. carrying out evaluation of every director's performance.
5. deciding on the matter of whether to extend or continue the term of appointment of the independent director, on the basis of the report of performance evaluation of independent directors.
6. identifying persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, recommend to the Board their appointment and removal; formulation of the criteria for determining qualifications, positive attributes and independence of a director;
7. devising a policy on diversity of board of directors;
8. recommending to the Board a policy, relating to the remuneration for the directors, key managerial personnel and other employees;

The Committee shall ensure the following while formulating the policy on the aforesaid matters:

- i) the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate directors, key managerial personnel and senior management of the quality required to run the Bank successfully;
 - ii) relationship of remuneration to performance is clear and meets appropriate performance benchmarks;
 - iii) remuneration to directors, key managerial personnel and senior management involves a balance between fixed and incentive pay reflecting short and long term performance objectives appropriate to the working of the Bank and its goals.
9. Formulating and determining the Bank's policies on remuneration packages payable to the Directors and key managerial personnel including performance/achievement bonus, perquisites, retivals, 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;

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.

The Committee met 7 (Seven) times during the year on 25 May 2016, 29 August 2016, 25 October 2016, 06 December 2016, 18 January 2017, 27 February 2017, and 31 March 2017.

Attendance Details are given below.

Name of the members	Category	No of meetings attended/ held during 2016-17
Mr. Nilesh S Vikamsey	Non Executive-Independent Director	7/7
Mr. Sudhir M Joshi \$	Non Executive-Independent Director	6/7
Mr. K M Chandrasekhar	Non Executive-Independent Director	7/7
Mr. Dilip G Sadarangani\$\$	Non Executive-Independent Director	1/7

\$ Mr. Sudhir M Joshi retired as Director from the Board w .e. f. 28 February 2017 as per the reconstitution of the Committee approved by the Board.

\$\$ Mr. Dilip G Sadarangani joined as a member of the Committee w.e.f 28 February 2017 as per the reconstitution of the Committee approved by the Board.

Investor Grievance, Share Transfer and Stakeholders Relationship Committee

The Committee is chaired by Mr. Dilip G Sadarangani, Independent Director and consists of Mr. C Balagopal, Mr. Shyam Srinivasan, MD & CEO of the Bank & Mr. Ashutosh Khajuria, Executive Director as members. The Committee was re constituted once in the financial year 2016-17 on 28 February 2017.

Shri Girish Kumar. G, Company Secretary, functions as the Compliance Officer. The constitution of the Committee is in compliance with the regulatory requirements.

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

1. Review, where necessary, complaints received from shareholders or others regarding transfer of shares, non-receipt of declared dividends, non-receipt of annual accounts or reports, or other matters relating to shareholding in the Bank, and any action taken by the Bank on such complaints;
2. Initiate such (further) action on the complaints as is considered necessary or desirable by way of redressal or to prevent similar complaints arising in the future; and
3. Approve or reject applications for transfer/transmission of shares referred to the Committee by the Bank's Registrar and Share Transfer Agent in terms of such criteria as may be determined by the Committee and conveyed to the Agent.
4. To oversee and review all matters connected with transfers, transmissions, dematerialization, rematerialisation, splitting and consolidation of securities issued by the Bank, issue of duplicate share certificates;
5. To oversee the performance of the Registrar and Transfer Agent of the Bank
6. Recommends measures for overall improvement in the quality of investor services;

The Committee met 8 (Eight) times during the year and reviewed and redressed the complaints received from shareholders. The Committee met on 08 April 2016, 23 June 2016, 02 August 2016, 09 September 2016, 23 November 2016, 30 December 2016, 01 February 2017 and 23 March 2017.

The Bank attended to the complaints promptly and to the satisfaction of the shareholders. All the share transfer applications received up to 31 March 2017 have been processed.

Complaint pending for redressal at the beginning of the year	Total complaints received during the year	Number of complaints redressed	Number of complaints pending for redressal
NIL	13	12	1

Attendance Details are given below:

Name of the members	Category	No of meetings attended/ held during 2016-17
Mr. Dilip G Sadarangani@	Non Executive-Independent Director	1/8
Mr. C Balagopal	Non Executive- Independent Director	8/8
Mr. Harish H Engineer ^	Non Executive-Independent Director	7/8
Mr. Shyam Srinivasan	Managing Director and Chief Executive Officer	8/8
Mr. Ashutosh Khajuria	Executive Director	8/8

^ Mr. Harish H Engineer ceased to be a member w.e.f. 28 February 2017 as per the reconstitution of the Committee approved by the Board.
@Mr. Dilip G Sadarangani joined as a member w.e.f. 28 February 2017 as per the reconstitution of the Committee approved by the Board.

Credit Investment and Raising Capital Committee

Presently the Committee is chaired by Mr. Harish Engineer (Independent Director) and consists of Mr. Dilip G Sadarangani, Mr. K M Chandrasekhar (Independent Directors), Mr. Shyam Srinivasan, MD & CEO of the Bank and Mr. Ganesh Sankaran, Executive Director as members. The Committee was re constituted twice in the financial year 2016-17 on 22 July 2016 and 28 February 2017.

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

1. Consider proposals for approval, renewal, or modification of various types of funded and non-funded credit facilities to clients within such authority as delegated to it by the Board from time to time,
2. Monitor the credit and investment exposures of the Bank, review the adequacy of the credit and investment risk management processes and policies, internal control systems and compliance of statutory, regulatory and other applicable norms,
3. Periodically review Non Performing Assets of large value (₹5 crore and above) and also a pool of NPAs in various categories (substandard, doubtful and loss),
4. Periodically review the large corporate loans and advances appearing in SMA lists,
5. Take note of the details of credit facilities sanctioned by MD level committee and call for more particulars/comments/clarifications, if found necessary,
6. 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.

The Credit Committee & Investment and Raising Capital Committee met 5 (Five) times during the year and the dates of meetings were on 23 May 2016, 20 July 2016, 21 September 2016, 03 January 2017 and 30 March 2017.

Attendance Details are given below:

Name of the members	Category	No of meetings attended/ held during 2016-17
Mr. Sudhir M Joshi@	Non Executive-Independent Director	4/5
Mr. Harish H Engineer	Non Executive-Independent Director	5/5
Mr. Dilip G Sadarangani\$	Non Executive-Independent Director	1/5
Mr. K M Chandrasekhar\$\$	Non Executive-Independent Director	1/5
Mr. C Balagopal ^	Non Executive-Independent Director	4/5
Mr. Shyam Srinivasan	Managing Director and Chief Executive Officer	5/5
Mr. Ganesh Sankaran#	Executive Director	2/5

\$ Mr. Dilip G Sadarangani joined the Committee w. e .f. 28 February 2017 as per the reconstitution of the Committee approved by the Board
 \$\$ Mr. K M Chandrasekhar joined the Committee w. e .f. 28 February 2017 as per the reconstitution of the Committee approved by the Board
 @ Mr. Sudhir M Joshi ceased to be a member w.e.f. 28 February 2017 as per the reconstitution of the Committee approved by the Board
 # Mr. Ganesh Sankaran, as a Board member joined the Committee w. e. f 22 July 2016 as per the reconstitution of the Committee approved by the Board
 ^ Mr. C Balagopal ceased to be a member w.e.f. 28 February 2017 as per the reconstitution of the Committee approved by the Board

Risk Management Committee

The Committee is chaired by Mrs. Shubhalakshmi Panse (Independent Director) and consists of Mrs. Grace Koshie, Mr. C Balagopal (Independent Directors), Mr. Shyam Srinivasan, Managing Director & CEO and Mr. Ashutosh Khajuria, Executive Director as members. The Committee was re- constituted twice in the financial year 2016-17 on 22 July 2016 and 28 February 2017.

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

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

Risk Management Committee shall 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.

1. Approve the policies and strategies for implementing bank-wide integrated risk management system, for addressing various risks faced by the Bank.
2. 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), Business Continuity Management Committee (BCMC) and Information Security Committee (ISC).
3. Set policies and guidelines for measurement, management and reporting of credit risk, market risk and operational risk.
4. Set risk mitigation and stop-loss parameters in respect of all the three risks.
5. Ensure management processes (including people, systems, operations, limits and controls) for implementing risk management systems.
6. Ensure robustness and effectiveness of financial / rating models and their appraisal systems for assessing various risks faced by the Bank.
7. Reviewing and approving the Internal Capital Adequacy Assessment Process.
8. Approval / 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.
9. 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.
10. Decide/approve adoption of technology/appropriate and adequate MIS system needed for risk management.
11. 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.
12. Ensure adequate coverage of internal audit to satisfy effective implementation of policies and procedures.

The Risk Management Committee met 3 (Three) times during the year and the dates of the meetings were 21 June 2016, 06 October 2016 and 18 January 2017.

Attendance Details are given below:

Name of the members	Category	No of meetings attended/ held during 2016-17
Mrs. Grace Elizabeth Koshie	Non Executive-Independent Director	3/3
Mr. Sudhir M Joshi\$\$	Non Executive-Independent Director	3/3
Mr. Nilesh S Vikamsey	Non Executive-Independent Director	3/3
Mr. K M Chandrasekhar	Non Executive-Independent Director	3/3
Mrs. Shubhalakshmi Panse\$	Non Executive-Independent Director	0/3
Mr. C Balagopal@	Non Executive-Independent Director	0/3
Mr. Shyam Srinivasan	Managing Director and Chief Executive Officer	3/3
Mr. Ganesh Sankaran&	Executive Director	1/3
Mr. Ashutosh Khajuria\$\$\$	Executive Director	0/3

\$Mrs. Shubhalakshmi Panse joined as a member of the Committee w.e.f 28 February 2017 as per the reconstitution of the Committee approved by the Board and there was no meeting during the FY 2017 after 28 February 2017.

\$\$Mr. Sudhir M Joshi ceased to be a member of the Committee w.e.f. 28 February 2017 as per the reconstitution of the Committee approved by the Board

\$\$\$Mr. Ashutosh Khajuria joined as a member of the Committee w.e.f 28 February 2017 as per the reconstitution of the Committee approved by the Board and there was no meeting during the FY 2017 after 28 February 2017.

& Mr. Ganesh Sankaran became a member of the Committee w.e.f 22 July 2016 and he ceased to be a member w.e.f 28 February 2017 as per the reconstitution of the Committee approved by the Board.

@ Mr. C Balagopal joined as a member of the Committee w.e.f. 28 February 2017 and there was no meeting during the FY 2017 after 28 February 2017 as per the reconstitution of the Committee approved by the Board

Customer Service & Marketing Strategy Committee

The Committee is chaired by Mr. K M Chandrasekhar (Independent Director) and consists of Mr. C Balagopal, Mr. Harish H Engineer (Independent Directors), Mr. Shyam Srinivasan, MD & CEO of the Bank and Mr. Ashutosh Khajuria, Executive Director as members. The constitution of the Committee is in compliance with the regulatory requirements.

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 :
 - Comprehensive Deposit Policy

- Treatment of death of a depositor for operations in the account
- Grievance Handling process
- 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:

- 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
 - 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.

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

The Committee met 3 (Three) times during the year and the dates of the meetings were 16 April 2016, 22 September 2016 and 18 January 2017.

Attendance Details are given below.

Name of the members	Category	No of meetings attended/ held during 2016-17
Mr. C Balagopal	Non Executive-Independent Director	2/3
Mr. K M Chandrasekhar	Non Executive-Independent Director	3/3
Mr. Harish H Engineer	Non Executive-Independent Director	3/3
Mr. Shyam Srinivasan	Managing Director and Chief Executive Officer	3/3
Mr. Ashutosh Khajuria	Executive Director	2/3

Special committee of the Board for monitoring and follow up of cases of Frauds

The Committee is chaired by Mr. Shyam Srinivasan, MD & CEO of the Bank, and consists of Mrs. Shubhalakshmi Panse , Mrs. Grace Elizabeth Koshie, Mr. Nilesh S Vikamsey (Independent Directors) and Mr. Ashutosh Khajuria, Executive Director as members. 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. The Committee was re-constituted once in the financial year 2016-17 on 28 February 2017 and name of the committee has been changed from Committee to Review Large Value Frauds to Special Committee of the Board for monitoring and follow up of cases of Frauds, as per RBI Master Circular. The constitution of the Committee is in compliance with the regulatory requirements.

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 Rs 100 Lakh and above so as to:

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

controls.

- vi. Put in place other measures as may be considered relevant to strengthen preventive measures against frauds.

All the frauds involving an amount of Rs 100 lakh and above should be monitored and reviewed by the Committee of the Board. 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.

The Committee met 3(Three) times during the year and the dates of meetings were 30 April 2016, 25 May 2016 and 21 December 2016.

Attendance Details are given below:

Name of the members	Category	No of meetings attended/ held during 2016-17
Mr. Shyam Srinivasan	Managing Director and Chief Executive Officer	3/3
Mrs. Shubhalakshmi Panse	Non Executive-Independent Director	3/3
Mrs. Grace Elizabeth Koshie	Non Executive-Independent Director	3/3
Mr. Nilesh S Vikamsey	Non Executive-Independent Director	3/3
Mr. Dilip G Sadarangani ^	Non Executive-Independent Director	3/3
Mr. Ashutosh Khajuria	Executive Director	3/3

^ Mr. Dilip Sadarangani ceased to be a member of the Committee w. e. f 28 February 2017 as per the reconstitution of the Committee approved by the Board.

Committee for Human Resources Policy

The Committee is chaired by Mr. C Balagopal (Independent Director) and consists of Mr Nilesh S Vikamsey, Mrs. Shubhalakshmi Panse(Independent Directors), and Mr. Shyam Srinivasan, MD & CEO of the Bank as members. The Committee was re-constituted once in the financial year 2016-17 on 28 February 2017.

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

1. To Review HR Strategy aligning with business strategy of the Bank
2. Periodic review of existing HR policy of the Bank.
3. To review productivity levels of employees benchmarking with peers in the industry
4. To review compensation policy of the Bank
5. To review outsourcing Policy of the Bank

6. To review Learning Initiatives
7. To review Skill gaps and Talent pool creation

The Committee met 3 (Three) times during the year and the dates of the meetings were 21 June 2016, 22 September 2016 and 18 January 2017.

Attendance Details are given below:

Name of the members	Category	No of meetings attended/ held during 2016-17
Mr. C Balagopal*	Non Executive-Independent Director	0/3
Mr. K M Chandrasekhar**	Non Executive-Independent Director	3/3
Mr. Nilesh S Vikamsey	Non Executive-Independent Director	3/3
Ms. Shubhalakshmi Panse	Non Executive-Independent Director	3/3
Mr. Shyam Srinivasan	Executive Director	3/3

*Mr. C Balagopal became the Chairman of the Committee on 28 February 2017 as per the reconstitution of the Committee approved by the Board and there were no meeting of the Committee after that date.

**Mr. K M Chandrasekhar ceased to be a member of the Committee w .e. f 28 February 2017 as per the reconstitution of the Committee approved by the Board.

Information Technology & Operations Committee

The Committee is chaired by Mr. Dilip G Sadarangani (Independent Director), and consists of Mrs. Shubhalakshmi Panse , Mrs. Grace Elizabeth Koshie (Independent Directors) and Mr. Shyam Srinivasan, MD &CEO of the Bank as its members. The constitution of the Committee is in compliance with the regulatory requirements.

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

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

1. Approving IT strategy and policy documents and reviewing the same from time to time
2. Ensuring that the management has put an effective strategic planning process in place
3. Ensuring that the business strategy is indeed aligned with IT strategy
4. Ensuring that the IT organizational structure complements the business model and its direction
5. Ascertaining that management has implemented processes and practices that ensure that the IT delivers value to the

business

6. Ensuring IT investments represent a balance of risks and benefits and that budgets are acceptable
7. Monitoring the method that management uses to determine the IT resources needed to achieve strategic goals and provide high-level direction for sourcing and use of IT resources
8. Ensuring proper balance of IT investments for sustaining bank's growth
9. Becoming aware about exposure towards IT risks and controls and evaluating effectiveness of management's monitoring of IT risks through oversight over the proceedings of the Information Security Committee
10. Assessing Senior Management's performance in implementing IT strategies
11. Issuing high-level policy guidance (eg: 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 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 (eg: 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

The Committee met 4 (four) times during the year and the dates of meetings were 25 May 2016, 26 September 2016, 22 December 2016 and 22 March 2017.

Attendance Details are given below:

Name of the members	Category	No of meetings attended/ held during 2016-17
Mr. Dilip G Sadarangani	Non Executive-Independent Director	4/4
Mrs. Grace Elizabeth Koshie	Non Executive-Independent Director	4/4
Mrs. Shubhalakshmi Panse	Non Executive-Independent Director	4/4
Mr. Shyam Srinivasan	Managing Director and Chief Executive Officer	4/4

Corporate Social Responsibility Committee

The Committee is chaired by Mr. Harish Engineer (Independent Director) and consists Mr. K M Chandrasekhar (Independent Director), Mr. Shyam Srinivasan, MD &CEO of the Bank and Mr. Ashutosh Khajuria, Executive Director as its members. The Committee was reconstituted once during the financial year 2016-17.

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

The CSR Committee shall formulate and recommend to the Board Corporate Social Responsibility Policy which shall indicate the activity or activities to be undertaken by the Bank as specified in schedule VII of the Companies Act, 2013 such as promotion of education, eradicating hunger and poverty, social business projects and contribution to Prime minister's National Relief Fund or any other fund set up by central government for socio-economic development etc. and shall also recommend the amount of expenditure to be incurred on the CSR activities and monitor CSR Policy of the Bank.

- a) The Board shall ensure that the Bank spends in every financial year atleast 2% of the average net profits of the Bank made during the three immediately preceding financial years in pursuance of its CSR policy.
- b) Where the Bank fails to spend such amount, the Board shall in its report specify the reasons for not spending the amount. The approach is to 'comply or explain'.
- c) The Bank shall give preference to local areas where it operates, for spending amount earmarked for Corporate Social Responsibility (CSR) activities.

The Committee met 3 (three) times during the year and the dates of meetings were 16 April 2016, 22 September 2016 and 18 January 2017.

Attendance Details are given below:

Name of the members	Category	No of meetings attended/ held during 2016-17
Mr. Harish Engineer	Non Executive-Independent Director	3/3
Mr. C Balagopal ^ ^	Non Executive-Independent Director	2/3
Mr. K M Chandrasekhar	Non Executive-Independent Director	3/3
Mr. Shyam Srinivasan	Managing Director and Chief Executive Officer	3/3
Mr. Ashutosh Khajuria	Executive Director	2/3

^ ^ Mr. C Balagopal ceased to be a member of the Committee w .e. f 28 February 2017 as per the reconstitution of the Committee approved by the Board.

Review Committee of the Board On Non Co- Operative Borrowers

The Committee is chaired by Mr. Shyam Srinivasan, MD &CEO of the Bank and consists Mr. Harish H Engineer and Mr. Dilip G Sadarangani (Independent Directors) as its members. The Committee was constituted on 28 February 2017 to comply with the RBI directions on Non Co-Operative Borrowers issued vide circular DBR. No. CID. BC. 54/20.16.064/2014-15 dated 22 December 2014. The Committee of the Board review the decisions of ED level committee on Non Co-Operative Borrowers .

No meeting of the Committee was held during FY 2016-17 after its constitution.

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. The decisions of the ED level committee has to be placed to this Review Committee of the Board for confirmation.

Review Committee of the Board for Wilful Defaulters

The Committee is chaired by Mr. Shyam Srinivasan, MD & CEO of the Bank and consists Mr. Harish H Engineer and Mrs. Grace Koshie (Independent Directors) as its members. The Committee was constituted on 28 February 2017 in compliance with RBI

Master Circular DBR No. CID. BC. 22/20.16.003/2015-16 dated July 1, 2015.

No meeting of the Committee was held during FY 2016-17 after its constitution.

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 of the Board. To comply with this requirement the Committee was constituted on 28 February 2017.

Adherence of code of corporate governance and code of conduct for all board members and management of the bank:

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. 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 is posted on the website of the Bank and the web link thereto is <http://www.federalbank.co.in/our-commitments>

Subsidiary & Joint Venture Company of the Bank

The Bank has one subsidiary company, Fedbank Financial Services Limited. Two Directors of the Bank, Mr. Shyam Srinivasan and Mr. Dilip G Sadarangani are Directors of the Bank in the Bank's subsidiary Company. The Bank has no material subsidiaries as per the conditions laid down in the Listing Agreement. The Bank has one joint venture life insurance company named IDBI Federal Life Insurance Company Limited. Two directors of the Bank, Mr, Shyam Srinivasan and Mr. Ashutosh Khajuria are directors in the Bank's joint venture company.

Whistle Blower Policy/Vigil Mechanism

The Bank has established a Whistle Blower Policy/ Vigil Mechanism to report concerns about unethical behaviour, actual or suspected fraud and others. As per the Whistle Blower Policy, Directors and employees of the Bank, customers, stakeholders, non-governmental organizations (NGO) and members of general public can lodge complaints/disclosures under the scheme. The Bank affirms that no employee has been denied access to the Audit Committee of the Board under the Whistle Blower Policy adopted by the Bank. Preventive measures for enhancing awareness of fraud risk and for promoting a culture of compliance among the employees, preventive vigilance audits, vigilance workshops, circulation of modus operandi of frauds occurred in banking industry etc are done.

Information relating to last three general body meetings is furnished below:

Name of Meeting	Day, Date and Time of Meeting	Venue	Special Resolution Transacted
83rd Annual General Meeting	Thursday, 17 July 2014 at 10 A M	Mahatma Gandhi Municipal Town Hall, Aluva	Special Resolution for a) Approval for extension of vesting period for the Grant 2011, from four years to four and half years(modified from 08 April 2015 to 08 October 2015) b) Increase of the Borrowing power of the Bank to ₹ 3000 Crore over and above the Paid up Capital and free reserves of the Bank pursuant to section 180 (1) (c) of the Companies Act, 2013
84th Annual General Meeting	Monday, 29 June, 2015 at 10.00 AM	Mahatma Gandhi Municipal Town Hall, Aluva	Special Resolution for Approval for Issue of Bonus Shares to the Shareholders of the Bank.
85th Annual General Meeting	Thursday, 11 August, 2016 at 10.00 AM	Mahatma Gandhi Municipal Town Hall, Aluva	Special Resolution for i) Approval for amendment of the Memorandum of Association of the Bank. ii) Approval for amendment of the Articles of Association of the Bank. iii) Approval of Long Term Bond issuance programme for the financial year 2016-17

No special resolution was passed during the financial year through postal ballot. Special Resolution for Raising of Capital of the Bank through Issuance of Securities and Increase of ceiling limit of FII/FPI upto 74 % of the paid up capital of the Bank has been proposed to be passed through Postal Ballot in FY 2017-18.

DISCLOSURES

Related Party Transactions

There were no material related party transactions during the financial year. The details of transaction with related parties which are not material during the year is disclosed in notes to Financial Statements of the Bank. Since there are no material subsidiaries for the Bank the policy for material subsidiaries is not required.

There were no material transactions between the Bank and its Directors or management. The Bank complied with the directives issued by the Stock Exchanges on which the Bank's shares are listed, SEBI, and other regulatory authorities.

The policy on materiality of Related Party Transactions and also on dealing with Related Party Transactions as approved by the Audit Committee and the Board of Directors is uploaded on the website

of the Bank and the link for the same is <http://www.federalbank.co.in/our-commitments>.

The Bank does not have any material subsidiary since the Networth of the subsidiary is less than 20% of the consolidated Networth of the Bank. The Corporate Governance requirements with respect to subsidiary of Listed Entity have been complied.

No penalties or strictures have been imposed on the Bank by SEBI or any of the Stock Exchanges or any statutory authority for any non-compliance on any matter relating to capital markets during the last three years.

Internal Controls

The Bank has a system of internal control which examines both the financial effectiveness and operational effectiveness to ensure reliability of financial and operational information and all statutory /regulatory compliances.

Insider Trading Code

The Bank has formulated a code for prevention of Insider Trading named Federal Bank Code of Conduct for Regulating, Monitoring & Reporting Trading by Insiders and Code of Practices and Procedures for Fair Disclosure, pursuant to Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 to prevent the practices of Insider Trading.

Mr. Girish Kumar Ganapathy, Company Secretary has been designated as Compliance Officer for this purpose. Senior Management of the Bank has affirmed compliance with the Code of Conduct.

The Bank has duly complied with all the mandatory listing agreement requirements specified in Regulation 27 of the SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015 ("Listing Agreement").

Adoption of Non-mandatory requirements

The Bank has also complied with the adoption of non-mandatory requirement on separate posts of Chairman and CEO. The Bank presently appoints separate persons to the post of Chairman and Managing Director/CEO.

Ethical Standards Employed by the Bank

All the employees of the Bank are required to comply with the service manual formulated by the Bank, which also covers various ethical practices to be adhered by them. The Bank has a Code of Ethics and Business Conduct which provides the guidelines on our standards of business conduct and applies to all employees of the Bank. The Code explains the conduct and ethical behavior 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 shareholder value.

Outstanding GDRs/ADRs/Warrants or any convertible instruments, conversion date and likely impact on equity:

The Bank has 31, 205,861 GDRs (equivalent to equity shares) outstanding, which constituted 1.81 % of the Bank's total equity capital as at 31 March 2017. During the Financial Year Tier II Bond of the Bank amounting to ₹ 200 Crore got matured and redeemed on 16 December 2016 and there are no Tier II Bonds and convertible debentures outstanding for the Bank as on 31 March 2017.

The disclosures of the compliance with corporate governance requirements specified in regulation 17 to 27 and clauses (b) to (i) of sub-regulation (2) of regulation 46 :

Item	Compliance status (Yes/No/NA)
Details of business	Yes
Terms and conditions of appointment of independent directors	Yes
Composition of various committees of board of directors	Yes
Code of conduct of board of directors and senior management personnel	Yes
Details of establishment of vigil mechanism/ Whistle Blower policy	Yes
Criteria of making payments to non-executive directors	Yes
Policy on dealing with related party transactions	Yes
Policy for determining 'material' subsidiaries	NA
Details of familiarization programmes imparted to independent directors	Yes
Contact information of the designated officials of the listed entity who are responsible for assisting and handling investor grievances	Yes
email address for grievance redressal and other relevant details	Yes
Financial results	Yes
Shareholding pattern	Yes
Details of agreements entered into with the media companies and/or their associates	NA
New name and the old name of the listed entity	NA

Annual Affirmations

Particulars	Regulation No.	Compliance status (Yes/No/NA)
Independent director(s) have been appointed in terms of specified criteria of 'independence' and/or 'eligibility'	16(1)(b) & 25(6)	Yes
Board composition	17(1)	Yes
Meeting of Board of directors	17(2)	Yes
Review of Compliance Reports	17(3)	Yes
Plans for orderly succession for appointments	17(4)	Yes
Code of Conduct	17(5)	Yes
Fees/compensation	17(6)	Yes
Minimum Information	17(7)	Yes
Compliance Certificate	17(8)	Yes
Risk Assessment & Management	17(9)	Yes
Performance Evaluation of Independent Directors	17(10)	Yes
Composition of Audit Committee	18(1)	Yes
Meeting of Audit Committee	18(2)	Yes
Composition of nomination & remuneration committee	19(1) & (2)	Yes
Composition of Stakeholder Relationship Committee	20(1) & (2)	Yes
Composition and role of risk management committee	21(1),(2),(3),(4)	Yes
Vigil Mechanism	22	Yes
Policy for related party Transaction	23(1),(5),(6),(7) & (8)	Yes
Prior or Omnibus approval of Audit Committee for all related party transactions	23(2), (3)	Yes
Approval for material related party transactions	23(4)	NA
Composition of Board of Directors of unlisted material Subsidiary	24(1)	NA
Other Corporate Governance requirements with respect to subsidiary of listed entity	24(2),(3),(4),(5) & (6)	Yes
Maximum Directorship & Tenure	25(1) & (2)	Yes
Meeting of independent directors	25(3) & (4)	Yes
Familiarization of independent directors	25(7)	Yes
Memberships in Committees	26(1)	Yes
Affirmation with compliance to code of conduct from members of Board of Directors and Senior management personnel	26(3)	Yes
Disclosure of Shareholding by Non-Executive Directors	26(4)	Yes
Policy with respect to Obligations of directors and senior management	26(2) & 26(5)	Yes

The required disclosures under SEBI(LODR)Regualtions,2015 as noted above is detailed under various portions of Directors Report and Corporate Governance Report and compliance has been ensured.

CEO/CFO Certification

In terms of Regulation 17 of the Listing Agreement, the certification by MD & CEO and Chief Financial Officer on the financial statements and internal controls relating to financial reporting has been obtained.

The CEO/CFO Certification are as follows:

We Shyam Srinivasan, Managing Director & CEO and Ashutosh Khajuria, Chief Financial Officer of Federal Bank Limited, hereby certify that:

- A) We have reviewed financial statements and the cash flow statement for the year ended 31 March 2017 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 violative 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

Aluva
28 April 2017

Means of communication:

The quarterly, unaudited and annual audited financial results were published in nationally circulated newspapers in English, such as, Business Line and Business Standard, and in the regionally circulated Malayalam daily Deepika. The results were also displayed on the Bank's website - www.federalbank.co.in. The website also contains details of official news releases, presentations made to institutional investors/analysts.

General information for Shareholders

ANNUAL GENERAL MEETING

Date	: 14 July 2017
Time	: 10. 00 am
Venue	: Mahatma Gandhi Municipal Town Hall, Aluva.
Financial year	: 01 April 2016 to 31 March 2017
Period of book closure	: Wednesday, 05 July 2017 to Friday 14 July 2017
Dividend payment date	: 19 July 2017

FINANCIAL CALENDER

Approval of quarterly results for the period ending:

- 30 June 2016 : 22 July 2016
- 30 September 2016: 25 October 2016
- 31 December 2016 : 19 January 2017
- 31 March 2017 : 28 April 2017

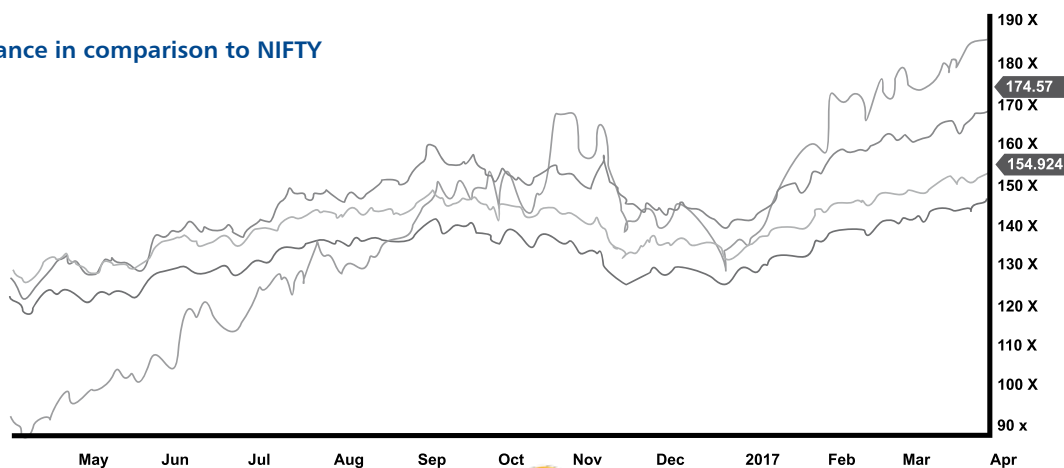
Commodity price risk or foreign exchange risk and hedging activities

To monitor Foreign Exchange risk, Bank has envisaged Forex VaR, NOOP Limit and AGL which are being monitored on daily basis by Risk department. Bank also has Investment, Forex and Derivative policy to define and regulate forex operations taken up by the Bank and different levels of limits are given in it. Treasury also monitors Foreign assets liabilities gap to hedge it in the market.

Bank hedges its foreign currency position using derivatives including mainly SWAPs and outright Forwards.

Bank is not involved in commodity trading and its hedging activities.

Performance in comparison to NIFTY



Listing on Stock Exchanges

The Bank's shares are listed on the Stock Exchanges viz. National Stock Exchange of India Ltd., Bombay Stock Exchange Ltd., and 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 23 December 2014 and the Banks shares are no more listed/traded in Cochin Stock Exchange. The GDRs issued by the Bank in 2006 have been listed on the London Stock Exchange.

BSE Scrip Code	: 500469	Scrip ID : FEDBANK
NSE Symbol	: FEDERALBNK	
LSE Scrip Code	: FEDS	
Demat ISIN Code	: INE171A01029	

The annual listing fees for 2016-17 have been paid to all the Stock Exchanges where the shares are listed.

Movements in the market price of the Bank's Shares on the National Stock Exchange and BSE

NSE			BSE		
Month	High	Low	Month	High	Low
Apr-16	49.35	42.40	Apr-16	49.25	42.50
May-16	53.70	43.65	May-16	53.75	43.75
Jun-16	60.60	49.90	Jun-16	60.55	49.85
Jul-16	67.30	58.00	Jul-16	67.25	58.05
Aug-16	70.00	61.40	Aug-16	69.95	61.50
Sep-16	76.65	68.15	Sep-16	76.70	68.15
Oct-16	85.95	69.25	Oct-16	85.90	69.25
Nov-16	83.20	65.60	Nov-16	83.20	65.80
Dec-16	72.45	61.80	Dec-16	72.40	61.85
Jan-17	80.00	65.50	Jan-17	80.00	65.50
Feb-17	88.15	76.30	Feb-17	88.15	76.40
Mar-17	92.00	82.85	Mar-17	92.00	82.95

Registrars and Share Transfer Agent

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

Debenture Trustee Details: (upto 16 December 2016)

IDBI Trusteeship Services Ltd.
Asian Building, Ground Floor,
17, R.Kamani Marg,
Ballard Estate, Mumbai- 400 001.
Tel.No.022-40807000, E mail: itsl@idbitrustee.com

Share transfer system

Integrated Registry Management Services Private Limited, the Registrars and Share Transfer Agent looks after the share transfer. The share transfer instruments, as and when received, are duly processed and shares in respect of valid share transfer instruments are transferred in the names of transferees complying with rules in force.

The Bank obtains half yearly certificate of compliance with the share transfer formalities as required under Regulation 40(10) of the Listing Agreement with Stock Exchanges from a Company Secretary in practice, and files a copy of the certificate with the Stock Exchanges where Bank's shares are listed.

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

Dematerialisation of the Bank's shares

The Paid up Equity Shares of the Bank as on 31 March 2017 is 1,724,045,414 shares. Out of this 1,723,020,489 shares are listed. Of the total listed equity shares of the Bank, 1,686,640,032 shares (97.83%) are held in dematerialized form (In NSDL-1,570,450,798 - 91.09%, in CDSL-1,16,189,234 - 6.74%) and 37,405,382 (2.17 %) 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. Shares remaining in physical form can be dematerialized for which the share holders are requested to open a Depository Account with

the Depository Participants (DP) and to lodge the share certificates along with Demat Request Form with them.

Unclaimed dividends

As per Section 124(5) of the Companies Act, 2013, all unpaid or unclaimed dividends for a period of seven years are required to be transferred by the Company to the Investor Education and Protection Fund (IEPF) established by the Central Government. Further, Section 124(6) requires that all shares in respect of which dividend has not been claimed or paid for seven consecutive years or more shall also be transferred to Demat account of the IEPF Authority. Ministry of Corporate Affairs has recently notified "Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016" which have come into force from 7 September 2016. The said Rules, amongst other matters, contain provisions for transfer of all shares in respect of which dividend has not been paid or claimed for seven consecutive years or more, to the demat account of the IEPF Authority. The Bank has uploaded the details of the shareholders who have not claimed their dividend in the Bank's website www.federalbank.co.in. Shareholders are requested to access the weblink: <http://www.federalbank.co.in/unclaimed-dividend-warrants> to verify the details of uncashed dividends as updated till last AGM. Subsequent to such transfer of the shares to IEPF Authority, all benefits, if any which may accrue, in future, including future rights/bonus shares/dividend, if any, will be credited to IEPF.

Shareholders are requested to take appropriate actions to avoid transfer of shares and unclaimed dividend to IEPF Authority, for which it is requested to get in touch with the Bank's Registrar & Share Transfer Agent, Integrated Registry Management Services Private Limited (RTA) or with the Secretarial Department of the Bank. If the dividend amount of seven years are not claimed, all the shares either in physical form or in demat form will be transferred by the Bank to the Demat account of the IEPF Authority for the said purpose.

In terms of Rule 7 of the said Rules, any person, whose shares, unclaimed dividend, etc., have been transferred to IEPF, may claim the same from IEPF authorities by filing an application in Form IEPF-5 available online on the website www.iepf.gov.in and sending the physical copy of the same duly signed along with the requisite documents enumerated in Form IEPF-5 to the Bank at its registered office or the Bank's RTA for verification of claim. The Bank shall send a verification report to the IEPF Authority for refund of the unclaimed dividend amount and transfer of shares to the account of the shareholder.

The details of unclaimed dividends for last seven years as on 31 March 2017 are:

Sl. No.	Financial Year	Amount of unclaimed Dividend (in ₹) (As on 31 March 2017)
1	2009-10	6,345,485.00
2	2010-11	9,744,587.00
3	2011-12	10,554,291.00
4	2012-13	11,072,853.00
5	2013-14	12,003,830.00
6	2014-15	14,248,478.20
7	2015-16	10,076,668.70
	Total	74,046,192.90

Share Holding Pattern As On 31 March 2017

Share holder Category	No of Shares	%
Shares held by Custodians and others against which Depository Receipts have been issued	31,205,861	1.81
Mutual Funds/UTI	445,429,246	25.84
Financial Institutions/Bank/Insurance Companies	71,974,197	4.17
Foreign Institutional Investors	660,919,402	38.34
Bodies Corporate	67,167,988	3.90
Individual(including NRIs)	398,051,590	23.09
Any Other(Trust, Overseas Corporate Bodies, Foreign Bank, Foreign Body Corporate, LLP, Clearing Member)	49,297,130	2.86
Total	1,724,045,414	100.00

Details of share holders holding more than 1 % of the shares as on 31 March 2017

S.No	NAME	SHARES	%
1	Amansa Holdings Private Limited	73,000,000	4.23
2	Yusuffali Musaliam Veettil Abdul Kader	63,153,640	3.66
3	Franklin Templeton Investment Funds	52,382,941	3.04
4	East Bridge Capital Master Fund Limited	48,345,447	2.80
5	Government Pension Fund Global	46,111,582	2.67
6	Life Insurance Corporation Of India	37,934,760	2.20
7	Bank Muscat India Fund	33,351,210	1.93
8	Deutsche Bank Trust Company Americas	31,205,861	1.81
9	HDFC Trustee Company Ltd - A/C HDFC Mid - Cap opportunities Fund	28,942,000	1.68
10	General Insurance Corporation Of India	27,800,000	1.61
11	International Finance Corporation	24,383,914	1.41
12	Birla Sun Life Trustee Company Private Limited A/C Birla Sun Life Frontline Equity	24,159,434	1.40
13	Jhunjhunwala Rakesh Radheshyam	20,439,070	1.19
14	Parvest Equity India	20,300,000	1.18
15	Morgan Stanley Mauritius Company Limited	19,361,867	1.12
16	MFS International New Discovery Fund	18,342,466	1.06
17	Dimensional Emerging Markets Value Fund	17,751,105	1.03

Distribution of Holdings as on 31 March 2017

Category (Amount)	Share Holders		Share Capital	
	Number	% to Total	Amount (₹)	% to Total
1	2	3	4	5
Upto 5000	149,105	87.31	112,923,012	3.28
5001 - 10000	10,101	5.91	73,046,302	2.12
10001 - 20000	6,328	3.70	90,803,854	2.63
20001 - 30000	2,140	1.25	52,525,572	1.52
30001 - 40000	761	0.45	27,238,488	0.79
40001 - 50000	469	0.27	21,273,074	0.62
50001 - 100000	958	0.56	67,202,916	1.95
ABOVE 100000	938	0.55	3,003,077,610	87.09
Total	170,800	100.00	3,448,090,828	100.00

Locations

With its Head Office at Aluva, the Bank has a network of 1252 Branches across India as on 31 March 2017.

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

Company Secretary	Mr. Girish Kumar Ganapathy
Auditors	M/s BSR & Co. LLP, Mumbai M/s M.M. Nissim & Co, Mumbai
Secretarial Auditors	M/s. SVJS & Associates, Company Secretaries, Kochi

Compliance With The Code Of Conduct

I confirm that for the year under review all Directors and members of the Senior Management have affirmed compliance with the Code of Conduct of the Board of Directors and Senior Management as required under SEBI (LODR) Regulations, 2015 "on Corporate Governance."

Shyam Srinivasan
Managing Director & Chief Executive Officer
07 June 2017

Auditors' certificate on Corporate Governance

To The Members of The Federal Bank Limited

We have examined the compliance of conditions of Corporate Governance ("the Conditions") by The Federal Bank Limited ("the Bank"), for the year ended 31 March 2017, as specified in Regulations 17 to 27, clauses (b) to (i) of sub-regulation (2) of regulation 46 and paras C, D and E of Schedule V of Chapter IV of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Regulations, 2015").

Management responsibility

The Company's Management is responsible for ensuring compliance of the Conditions as stipulated in the SEBI Regulations, 2015. This responsibility includes the design, implementation and maintenance of corporate governance process relevant to the compliance of the Conditions. Responsibility also includes collecting, collating and validating data and designing, implementing and monitoring of Corporate Governance process suitable for ensuring compliance with the SEBI Regulations, 2015.

Auditors' responsibility

Pursuant to the requirements of the SEBI Regulations, 2015, our examination was limited to procedures and implementation thereof, adopted by the Bank for ensuring the compliance with the Conditions. It is neither an audit nor an expression of opinion on the financial statements of the Bank.

We conducted our examination of the corporate governance compliance by the Company as per the 'Guidance Note on Audit Reports and Certificates for Special Purposes (Revised 2016)' issued by the Institute of Chartered Accountants of India ("ICAI"). The Guidance Note requires that we comply with the ethical requirements of the Code of Ethics issued by the ICAI.

We have complied with the relevant applicable requirements of the Standard on Quality Control ('SQC') 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Bank has complied with the Conditions as specified in regulations 17 to 27, clauses (b) to (i) of regulation 46(2) and paragraphs C, D and E of Schedule V of SEBI Regulations, 2015, as applicable. .

We 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.

Restrictions on use

This Certificate has been issued solely for the purpose of complying with the SEBI Regulations, 2015 and may not be suitable for any other purpose.

For B S R & Co. LLP
Chartered Accountants

Firm's Registration No: 101248W / W-100022

Venkataramanan Vishwanath
Partner
Membership No: 113156

Mumbai
28 April 2017

For M.M. Nissim & Co.
Chartered Accountants

Firm's Registration No: 107122W

Sanjay Khemani
Partner
Membership No: 044577

**WHY
SETTLE
FOR
LESS?**

EARN MORE BENEFITS

At Federal Bank, one won't have to settle for anything less than the best. Keeping this in mind, the Bank has developed an exclusive array of Salary Accounts that are designed to make banking a delightful experience. Federal Bank Salary Accounts let customers enjoy the benefits of easy banking and greater transaction power, round the clock.



INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF THE FEDERAL BANK LIMITED

Report on the Standalone Financial Statements

We have audited the accompanying standalone financial statements of **THE FEDERAL BANK LIMITED** ('the Bank'), which comprise the Balance Sheet as at 31 March 2017, the Profit and Loss Account, the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Standalone Financial Statements

The Bank's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ('the Act') with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Bank in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, provisions of Section 29 of the Banking Regulation Act, 1949 ('BR Act') and the circulars, guidelines and directions issued by the Reserve Bank of India ('RBI') from time to time. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Bank and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these standalone financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing ('the Standards') specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from

material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bank's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Bank's Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the BR Act, 1949 as well as the relevant requirements of the Act, in the manner so required for banking companies and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Bank as at 31 March 2017, its profit and its cash flows for the year then ended on that date.

Other Matters

The standalone financial statements of the Bank for the year ended 31 March 2016 were audited by other auditors who expressed an unmodified opinion on those statements on 30 April 2016.

Report on Other Legal and Regulatory Requirements

The Balance Sheet and Profit and Loss Account have been drawn up in accordance with the provisions of Section 29 of the BR Act, 1949 read with Section 133 of the Act, 2013 read with the Rule 7 of the Companies (Accounts) Rules, 2014.

As required by sub section (3) of Section 30 of the Banking Regulation Act, 1949, we report that:

- (a) we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit and have found them to be satisfactory;
- (b) the transactions of the Bank, which have come to our notice, have been within the powers of the Bank; and
- (c) During the course of our audit we have visited 40 branches. Since the key operations of the Bank are automated with the key applications integrated to the core banking systems, the audit is carried out centrally as all the necessary records

and data required for the purposes of our audit are available therein.

- (d) The reports on the accounts of the 1,231 branches audited by branch auditors of the Bank appointed under section 143(8) the Companies Act, 2013 and unaudited return with respect to 1 branch have been forwarded to us and have been properly dealt with by us in preparing this report.

The disclosure required on holdings as well as dealings in Specified Bank Notes during the period from 8 November 2017 to 30 December 2017 as envisaged in notification GSR 308(E) dated 30 March 2017 issued by the Ministry of Corporate Affairs, is not applicable to the Bank. Refer Note No. 4.15 of Schedule 18 to the standalone financial statements.

Further, as required by Section 143 (3) of the Companies Act, 2013, we further report that:

- (a) we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- (b) in our opinion, proper books of account as required by law have been kept by the Bank so far as it appears from our examination of those books;
- (c) the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
- (d) in our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 to the extent they are not inconsistent with the accounting policies prescribed by the RBI.
- (e) on the basis of the written representations received from the directors as on 31 March 2017 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2017 from being appointed as a director in terms of Section 164 (2) of the Act.
- (f) with respect to the adequacy of the internal financial controls over financial reporting of the Bank and the operating effectiveness of such controls, refer to our separate Report in "**Annexure A**";
- (g) with respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
- (i) The Bank has disclosed the impact of pending litigations on its financial position in its financial statements - Refer Schedule 12 and Note No. 4.7 of Schedule 18 to the standalone financial statements;
- (ii) The Bank has made provision, as required under the appli-

cable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts - Refer Note No.4.12 of Schedule 18 to the standalone financial statements; and

- (iii) there has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Bank.

For B S R & Co. LLP

Chartered Accountants
Firm's Registration No: 101248W / W-100022

Venkataramanan Vishwanath

Partner
Membership No: 113156

Mumbai
28 April 2017

For M.M. Nissim & Co.

Chartered Accountants
Firm's Registration No: 107122W

Sanjay Khemani

Partner
Membership No: 044577

ANNEXURE A TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE STANDALONE FINANCIAL STATEMENTS OF THE FEDERAL BANK LIMITED

Report on the Internal Financial Controls under clause (i) of sub-section 3 of Section 143 of the Companies Act, 2013

We have audited the internal financial controls over financial reporting of The Federal Bank Limited ('the Bank') as at 31 March 2017 in conjunction with our audit of the standalone financial statements of the Bank for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Bank's Board of Directors is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting ('the Guidance Note') issued by the Institute of Chartered Accountants of India ('the ICAI'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Bank's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013 ('the Act').

Auditors' Responsibility

Our responsibility is to express an opinion on the Bank's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing ('the Standards'), issued by the ICAI and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls, both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial

reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Bank's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls over Financial Reporting

A Bank's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A Bank's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the bank; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the bank are being made only in accordance with authorizations of management and directors of the Bank; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Bank's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls over Financial Reporting

Because of the inherent limitations of internal financial controls

over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Bank has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2017, based on the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the ICAI.

For B S R & Co. LLP

Chartered Accountants
Firm's Registration No: 101248W / W-100022

For M.M. Nissim & Co.

Chartered Accountants
Firm's Registration No: 107122W

Venkataramanan Vishwanath

Partner
Membership No: 113156

Sanjay Khemani

Partner
Membership No: 044577

Mumbai
28 April 2017

THE FEDERAL BANK LIMITED

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(₹ in Thousands)

BALANCE SHEET AS AT 31 MARCH 2017

पूँजी और ऋणद		Schedule AZgjjr	As at 31 March 2017	As at 31 March 2016
	CAPITAL AND LIABILITIES			
नएर	Capital	1	3,448,087	3,437,890
आरक्षितियों आर अक्षिषेय	Reserves and Surplus	2	85,975,732	77,474,281
रुजि न	Deposits	3	976,645,621	791,717,068
रुजि न	Borrowings	4	58,973,233	51,145,666
आर रूजि न वरुन आर प्रुवुन	Other Liabilities and Provisions	5	24,726,650	22,038,807
कुल	Total		1,149,769,323	945,813,712
	ASSETS			
रुजि न आर वरुन वरुन आर प्रुवुन	Cash and Balances with Reserve Bank of India	6	45,765,680	37,745,391
रुजि न आर वरुन वरुन आर प्रुवुन	Balances with banks and money at call and short notice	7	28,756,058	16,452,709
रुजि न	Investments	8	281,960,887	251,554,942
रुजि न	Advances	9	733,362,715	580,901,448
रुजि न	Fixed assets	10	4,894,689	5,199,751
रुजि न	Other assets	11	55,029,294	53,959,471
कुल	Total		1,149,769,323	945,813,712
रुजि न	Contingent liabilities	12	232,351,375	202,535,743
रुजि न	Bills for collection		25,683,452	15,168,300
रुजि न	Significant Accounting Policies	17		
रुजि न	Notes on Accounts	18		
रुजि न	Schedules referred to above form an integral part of the Balance Sheet			

For and on behalf of the Board of Directors

Krishnakumar K
Deputy General Manager

Girish Kumar Ganapathy
Company Secretary

Ashutosh Khajuria
Executive Director & CFO
(DIN:05154975)

Ganesh Sankaran
Executive Director
(DIN:07580955)

K M Chandrasekhar
Chairman
(DIN:06466854)

Shyam Srinivasan
Managing Director & CEO
(DIN : 02274773)

In terms of our report attached

Directors:

For B S R & Co. LLP
Chartered Accountants
Firm's Registration No:
101248W/W-100022

For M. M. Nissim & Co.
Chartered Accountants
Firm's Registration No:
107122W

Nilesh S Vikamsey (DIN : 00031213)
Dilip G Sadarangani (DIN : 06610897)
Harish H Engineer (DIN : 01843009)
Grace Elizabeth Koshie (DIN : 06765216)
Shubhalakshmi Panse (DIN : 02599310)
C Balagopal (DIN : 00430938)

Venkataramanan Vishwanath
Partner
Membership No.113156

Sanjay Khemani
Partner
Membership No. 044577

Place: Kochi
Date : 28th April, 2017

THE FEDERAL BANK LIMITED

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PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2017

(₹ in Thousands)

31_march_2016_gujarat_federal_bank_hindi	Schedule AZGJr	Year ended 31 March 2017	Year ended 31 March 2016
I. Ami	I. INCOME		
A(OV a nD)	Interest earned	86,773,836	77,481,585
AY Am	Other income	10,818,067	8,081,903
Om>	Total	97,591,903	85,563,488
II. i`	II. EXPENDITURE		
i` (Hs mJ ma nD)	Interest expended	56,247,436	52,404,476
n(almbZ i`	Operating expenses	22,095,336	18,921,204
Cn-y App AmH(a_Hs i`	Provisions and contingencies	10,941,249	9,481,327
Om>	Total	89,284,021	80,807,007
III. bm^/hmZ	III. PROFIT/LOSS		
dfHh eD bm^	Net profit for the year	8,307,882	4,756,481
(nNbbdfHh AJZrV bm^	Profit brought forward from Previous Year	10,569,814	10,923,675
		18,877,696	15,680,156
IV. (dZ^ nDZ	IV. APPROPRIATIONS		
amDnd Ami(j (V^ nHhmAYaU	Transfer to Revenue Reserve	1,314,286	454,011
HhmZr Ami(j (V^ nHhmAYaU	Transfer to Statutory Reserve	2,076,971	1,189,120
mPrJV Ami(j (V^ nHhmAYaU	Transfer to Capital Reserve	658,459	63,365
d(ZYnZ Ami(j V i mVHhm/(g) AYaU	Transfer to/(from) Investment Reserve Account	(144,930)	(82,119)
(def Ami(j (V^ nHhmAYaU	Transfer to Special Reserve	460,000	320,000
dfHh XpmZ axV (nNbbdfHh gVgSfVYV bm^rHh (Cg na bJHh/ gVg g(hV)	Dividend (including tax/cess thereon) pertaining to previous year paid during the year	242	1,511
anV(dV bm^rHh	Proposed dividend (Note 4.2 E of Schedule 18)	-	1,203,289
anV(dV bm^rHh na Hh	Tax on proposed dividend (Note 4.2 E of Schedule 18)	-	245,274
-nZg eD g^Om^r HhZrHh Am^r na eD a nPr HhmAYaU (AZGJrM 18 HhmZrHh-2.2)	Transfer to Share capital pursuant to issue of Bonus shares (Note 4.2 A of Schedule 18)		1,715,891
A(Veif OmAmVbZ n^ _l bDm mJ^ mHh	Balance carried over to Balance Sheet	14,512,668	10,569,814
Om>	Total	18,877,696	15,680,156
av fD a AOZ (e) (AHhV _p^ e 2/- ae Hh) AZGJrM 18 _gV ZrHh-2.1 gK^Cb)	Earnings per Share (Face value of ₹ 2/- each (₹) (Note 4.1 of Schedule 18)		
-Z^ Xr	Basic	4.83	2.77
VZmV	Diluted	4.76	2.75
_hEdnJ^bd nHhZ Zr(V^ m	Significant Accounting policies	17	
bd mgS^Yr (Dhn(U^ m	Notes on Accounts	18	
Dna gK(AY AZGJrM^ mBm^ App hmZ adnVHhmEHh A(^P Aq ht	Schedules referred to above form an integral part of the Profit and Loss account		

For and on behalf of the Board of Directors

Krishnakumar K
Deputy General Manager

Garish Kumar Ganapathy
Company Secretary

Ashutosh Khajuria
Executive Director & CFO
(DIN:05154975)

Ganesh Sankaran
Executive Director
(DIN:07580955)

K M Chandrasekhar
Chairman
(DIN:06466854)

Shyam Srinivasan
Managing Director & CEO
(DIN : 02274773)

In terms of our report attached
For B S R & Co. LLP
Chartered Accountants
Firm's Reg.No: 101248W/W-100022
Venkataramanan Vishwanath
Partner
Membership No.113156

For M. M. Nissim & Co
Chartered Accountants
Firm's Registration No: 107122W
Sanjay Khemani
Partner
Membership No. 044577

Directors:
Nilesh S Vikamsey (DIN : 00031213)
Dilip G Sadarangani (DIN : 06610897)
Harish H Engineer (DIN : 01843009)
Grace Elizabeth Koshie (DIN : 06765216)
Shubhalakshmi Panse (DIN : 02599310)
C Balagopal (DIN : 00430938)

Place: Kochi
Date : 28th April, 2017

THE FEDERAL BANK LIMITED
CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH, 2017

(₹ in Thousands)

	Year ended 31 March 2017	Year ended 31 March 2016
Cash Flow from Operating Activities		
Net Profit before taxes	13,064,982	7,196,481
Adjustments for:		
Depreciation on Bank's Property	1,221,731	1,054,468
Depreciation on Investments	242,010	167,434
Amortisation of Premium on Held to Maturity Investments	476,526	353,411
Provision for Non Performing Investments	53,500	634,189
Provision / Charge for Non Performing Assets	4,051,246	5,553,173
Provision on Standard Assets	785,000	295,000
(Profit)/Loss on sale of fixed assets (net)	(957)	3,406
Provision for Restructured assets	67,564	(208,598)
Provision for Other Contingencies	984,829	600,129
	20,946,431	15,649,093
Adjustments for working capital changes:-		
(Increase)/ Decrease in Investments (excluding Held to Maturity Investments)	(8,264,657)	(44,185,989)
(Increase)/ Decrease in Advances	(156,512,514)	(73,604,707)
(Increase)/ Decrease in Other Assets	(1,811,783)	1,083,013
Increase/ (Decrease) in Deposits	184,928,553	83,467,140
Increase/ (Decrease) in Other liabilities and provisions	2,299,013	2,775,901
Direct taxes paid	(4,015,140)	(377,005)
Net Cash Flow from / (Used in) Operating Activities	37,569,903	(15,192,555)
Cash Flow from Investing Activities		
Purchase of Fixed Assets	(940,005)	(1,602,531)
Proceeds from Sale of Fixed Assets	24,294	11,220
(Increase)/ Decrease in Held to Maturity Investments	(22,913,323)	21,500,187
Net Cash generated / (Used in) Investing Activities	(23,829,034)	19,908,876

THE FEDERAL BANK LIMITED
CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH, 2017 (CONTD...)

(₹ in Thousands)

	Year ended 31 March 2017	Year ended 31 March 2016
Cash Flow from Financing Activities		
Proceeds from Issue of Share Capital (ESOS)	10,196	8,693
Proceeds from Share Premium	198,169	215,627
Repayment of Subordinate Debt	(2,000,000)	-
Increase/(Decrease) in Borrowings (Excluding Subordinate Debt)	9,827,567	3,727,255
Dividend Paid (Including Tax on Dividend)	(1,448,805)	(2,269,854)
Net Cash generated from financing Activities	6,587,127	1,681,721
Effect of exchange fluctuation on translation reserve	(4,358)	93
Net Increase in Cash and Cash Equivalents	20,323,638	6,398,135
Cash and Cash Equivalents at the beginning of year	54,198,100	47,799,965
Cash and Cash Equivalents at the end of year	74,521,738	54,198,100

Note:

Cash and cash equivalents comprise of cash on hand (including foreign currency notes), Balances with Reserve Bank of India, Balance with Banks and money at call and short notice (Refer schedules 6 and 7 of the Balance sheet)

Krishnakumar K
Deputy General Manager

Girish Kumar Ganapathy
Company Secretary

For and on behalf of the Board of Directors

Ashutosh Khajuria
Executive Director & CFO
(DIN:05154975)

Ganesh Sankaran
Executive Director
(DIN:07580955)

K M Chandrasekhar
Chairman
(DIN:06466854)

Shyam Srinivasan
Managing Director & CEO
(DIN : 02274773)

In terms of our report attached

Directors:

For B S R & Co. LLP
Chartered Accountants
Firm's Registration No:
101248W/W-100022

For M. M. Nissim & Co.
Chartered Accountants
Firm's Registration No:
107122W

Nilesh S Vikamsey (DIN : 00031213)
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C Balagopal (DIN : 00430938)

Venkataramanan Vishwanath
Partner
Membership No.113156

Sanjay Khemani
Partner
Membership No. 044577

Place: Kochi
Date : 28 April 2017

THE FEDERAL BANK LIMITED
SCHEDULES FORMING PART OF THE BALANCE SHEET

(₹ in Thousands)

	As at 31 March 2017	As at 31 March 2016
SCHEDULE 1 - CAPITAL		
Authorised Capital	5,000,000	5,000,000
250,00,00,000 (Previous year 250,00,00,000) Equity Shares of ₹ 2/- each		
Issued Capital	3,450,789	3,440,592
172,53,94,459 (Previous year 172,02,95,889) Equity Shares of ₹ 2/-each		
Subscribed, Called-up and Paid-up Capital	3,448,091	3,437,894
172,40,45,414 (Previous year 171,89,46,844) Equity Shares of ₹2/-each		
Less: Calls in arrears	4	4
Total	3,448,087	3,437,890
Also refer Note 4.2 of Schedule 18		

THE FEDERAL BANK LIMITED
SCHEDULES FORMING PART OF THE BALANCE SHEET (CONTD...)

(₹ in Thousands)

	As at 31 March 2017	As at 31 March 2016
SCHEDULE 2 - RESERVES AND SURPLUS		
I. Statutory Reserve		
Opening balance	18,593,244	17,404,124
Additions during the year	2,076,971	1,189,120
	20,670,215	18,593,244
II. Capital Reserves		
(a) Revaluation Reserve		
Opening balance	50,091	50,091
Deductions during the year	-	-
	50,091	50,091
(b) Others		
Opening balance	2,416,138	2,352,773
Additions during the year*	658,459	63,365
	3,074,597	2,416,138
Subtotal	3,124,688	2,466,229
III. Share premium		
Opening balance	25,084,585	24,868,958
Additions during the year#	198,169	215,627
	25,282,754	25,084,585
IV. Revenue and Other Reserves		
a) Revenue Reserve		
Opening Balance	14,971,562	14,517,551
Additions during the year	1,314,286	454,011
Deductions during the year	-	-
	16,285,848	14,971,562
b) Investment Fluctuation Reserve		
Opening Balance	1,897,200	1,897,200
	1,897,200	1,897,200
c) Special Reserve (As per section 36(1)(viii) of Income Tax Act)		
Opening balance	3,209,900	2,889,900
Addition during the year	460,000	320,000
	3,669,900	3,209,900
V. Investment Reserve Account		
Opening Balance	380,651	462,770
Additions during the year	-	-
Deductions during the year (Refer Note 1.2.2(d) of Schedule 18)	144,930	82,119
	235,721	380,651
VI. Foreign Currency Translation Reserve		
Opening Balance	93	-
Additions during the year [Refer Schedule 17 (4.5)]	(4,358)	93
	(4,265)	93

THE FEDERAL BANK LIMITED
SCHEDULES FORMING PART OF THE BALANCE SHEET (CONTD...)

(₹ in Thousands)

	As at 31 March 2017	As at 31 March 2016
VII. Contingency Reserve		
Opening balance	301,003	301,003
	301,003	301,003
VIII. Balance in Profit and Loss Account	14,512,668	10,569,814
Total	85,975,732	77,474,281

* - Includes Profit appropriated to Capital Reserve (net of applicable taxes and transfer to statutory reserve) on Gain on sale of Held to Maturity Investments ₹658,459 Thousands (Previous year ₹ 63,365 Thousands)

- Represents amount received on exercise of Employee stock options

(₹ in Thousands)

	As at 31 March 2017	As at 31 March 2016
SCHEDULE 3 - DEPOSITS		
A. I. Demand Deposits		
i. From Banks	1,301,173	1,313,810
ii. From Others	55,250,595	44,990,025
	56,551,768	46,303,835
II. Savings Bank Deposits	263,976,655	214,222,059
III. Term Deposits		
i. From Banks	18,258,525	5,139,728
ii. From Others	637,858,673	526,051,446
	656,117,198	531,191,174
Total	976,645,621	791,717,068
B. I. Deposits of branches in India	976,645,621	791,717,068
II. Deposits of branches outside India	-	-
Total	976,645,621	791,717,068
SCHEDULE 4 - BORROWINGS		
I. Borrowings in India		
i. Reserve Bank of India	-	29,380,000
ii. Other Banks #	12,497,666	472,000
iii. Other institutions and agencies ##	32,647,606	16,694,986
	45,145,272	46,546,986
II. Borrowings outside India	13,827,961	4,598,680
Total	58,973,233	51,145,666
Secured borrowings included in I and II above	11,814,363	8,120,683

Includes Subordinated Debt of ₹ NIL (Previous Year ₹ 322,000 Thousands) in the nature of Non Convertible debentures (included in Tier - II capital).

Borrowings from other Institutions and agencies include subordinated Debt of ₹ NIL (Previous Year ₹1,678,000 Thousands) in the nature of Non Convertible Debentures (included in Tier - II capital).

THE FEDERAL BANK LIMITED
SCHEDULES FORMING PART OF THE BALANCE SHEET (CONTD...)

(₹ in Thousands)

	As at 31 March 2017	As at 31 March 2016
SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS		
I. Bills Payable	68,464	93,265
II. Inter - office adjustments (Net)	3,109,610	2,149,956
III. Interest accrued	3,152,044	2,324,723
IV. Others (including provisions)*	18,396,532	17,470,863
Total	24,726,650	22,038,807
*Includes :-		
(a) Contingent provision against standard assets	3,949,281	3,164,281
(b) Proposed Dividend (Refer Note 4.2 E of Schedule 18)	-	1,203,289
(c) Tax on Proposed Dividend (Refer Note 4.2 E of Schedule 18)	-	245,274
SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA		
I. Cash in hand (including foreign currency notes)	6,213,235	5,577,729
II. Balance with Reserve Bank of India	-	-
i. in Current Accounts	39,552,445	32,167,662
ii. in Other Accounts	-	-
Total	45,765,680	37,745,391
SCHEDULE 7 - BALANCES WITH BANKS & MONEY AT CALL AND SHORT NOTICE		
I. In India		
i. Balances with banks		
a. in Current Accounts	1,276,675	4,623,025
b. in Other Deposit Accounts	405,000	507,000
ii. Money at call and short notice		
a. With Banks	-	-
b. With other institutions	14,500,000	-
Total	16,181,675	5,130,025
II. Outside India		
i. in Current Accounts	1,904,170	390,609
ii. in Other Deposit Accounts	10,394,600	10,932,075
iii. Money at call and short notice	275,613	-
Total	12,574,383	11,322,684
Grand Total (I and II)	28,756,058	16,452,709

THE FEDERAL BANK LIMITED
SCHEDULES FORMING PART OF THE BALANCE SHEET (CONTD...)

(₹ in Thousands)

	As at 31 March 2017	As at 31 March 2016
SCHEDULE 8 - INVESTMENTS		
I. Investments in India in :		
i. Government Securities ##	215,654,105	199,419,703
ii. Other approved Securities	-	-
iii. Shares	2,175,944	1,554,363
iv. Debentures and Bonds	14,076,123	16,990,389
v. Subsidiaries/ Joint Ventures \$	3,980,000	3,980,000
vi. Others @	46,065,965	29,603,955
Total	281,952,137	251,548,410
II. Investments outside India - Shares	8,750	6,532
Grand Total (I and II)	281,960,887	251,554,942
Gross Investments		
In India	283,320,153	252,619,901
Outside India	9,344	8,141
	283,329,497	252,628,042
Depreciation/ Provision for Investments		
In India	1,368,016	1,071,491
Outside India	594	1,609
	1,368,610	1,073,100
Net Investments		
In India	281,952,137	251,548,410
Outside India	8,750	6,532
	281,960,887	251,554,942

Securities costing ₹ 74,435,550 Thousands (Previous Year ₹ 41,341,696 Thousands) pledged for availment of fund transfer facility, clearing facility and margin requirements

@ Includes:

(₹ in Thousands)

Particulars	As at 31 March 2017	As at 31 March 2016
Pass through certificates (PTCs)	999,996	63,573
Certificate of Deposits	16,873,221	11,838,290
Commercial Paper	20,503,558	11,092,995
Venture Capital Funds (VCFs)	216,941	381,198
Security Receipts	7,472,064	6,227,571
Others	185	328
Total	46,065,965	29,603,955

THE FEDERAL BANK LIMITED
SCHEDULES FORMING PART OF THE BALANCE SHEET (CONTD...)

(₹ in Thousands)

	As at 31 March 2017	As at 31 March 2016
SCHEDULE 9 - ADVANCES (NET OF PROVISIONS)		
A. i. Bills purchased and discounted	25,607,697	14,041,982
ii. Cash credits, overdrafts and loans repayable on demand	372,488,016	324,066,663
iii. Term loans	335,267,002	242,792,803
Total	733,362,715	580,901,448
B. i. Secured by tangible assets \$	615,300,818	486,238,853
ii. Covered by Bank/Government guarantees #	22,314,387	21,315,370
iii. Unsecured	95,747,510	73,347,225
Total	733,362,715	580,901,448
C. I. Advances in India		
i. Priority Sectors	201,355,767	185,293,996
ii. Public Sector	4,149,361	5,252,443
iii. Banks	136,146	74,739
iv. Others	513,954,351	387,525,563
Total	719,595,625	578,146,741
II. Advances outside India (Refer note 3.11 of Schedule 18)		
i. Due from Banks	661,437	-
ii. Due from Others		
a) Bills purchased and discounted	-	-
b) Syndicated Loans	7,124,583	-
c) Others	5,981,070	2,754,707
Total	13,767,090	2,754,707
Grand Total (C I and C II)	733,362,715	580,901,448

\$ Includes Advances against book debts

Includes Advances against LCs issued by banks

THE FEDERAL BANK LIMITED
SCHEDULES FORMING PART OF THE BALANCE SHEET (CONTD...)

(₹ in Thousands)

	As at 31 March 2017	As at 31 March 2016
SCHEDULE 10 - FIXED ASSETS		
I OWNED ASSETS		
a. Premises #		
Gross Block		
At the beginning of the year	2,339,586	2,297,653
Additions during the year	83,064	41,933
Deductions during the year	-	-
Closing Balance	2,422,650	2,339,586
Depreciation		
As at the beginning of the year	796,102	741,164
Charge for the Year	54,391	54,938
Deductions during the year	-	-
Depreciation to date	850,493	796,102
Net Block	1,572,157	1,543,484
b. Other fixed assets		
(including furniture and fixtures)		
Gross Block		
At the beginning of the year	9,549,969	7,973,192
Additions during the year	865,296	1,668,815
Deductions during the year	178,016	92,038
Closing Balance	10,237,249	9,549,969
Depreciation		
As at the beginning of the year	6,051,299	5,129,180
Charge for the year	1,167,340	999,530
Deductions during the year	154,680	77,411
Depreciation to date	7,063,959	6,051,299
Net Block	3,173,290	3,498,670
II. Capital Work in progress (Including Capital Advances)	149,242	157,597
Total (I & II)	4,894,689	5,199,751

Includes buildings constructed on leasehold land at different places having original cost of ₹ 663,428 Thousands (Previous Year ₹ 655,643 Thousands) and Written down value of ₹ 500,797 Thousands (Previous Year ₹ 512,528 Thousands) with remaining lease period varying from 59 - 71 years

THE FEDERAL BANK LIMITED
SCHEDULES FORMING PART OF THE BALANCE SHEET (CONTD...)

(₹ in Thousands)

	As at 31 March 2017	As at 31 March 2016
SCHEDULE 11 - OTHER ASSETS		
I. Inter - office adjustments (net)	-	-
II. Interest accrued	6,294,853	4,937,172
III. Tax paid in advance/Tax Deducted at source (Net of provision)	5,252,617	6,298,477
IV. Stationery and Stamps	49,489	45,485
V. Non-banking assets acquired in satisfaction of claims*	26,451	15,430
VI. Others #	43,405,884	42,662,907
Total	55029294	53959471
* - 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	33,890,279	33,457,992
(b) Deferred Tax Asset (Net)	859,143	555,243
SCHEDULE 12 - CONTINGENT LIABILITIES		
I. Claims against the Bank not acknowledged as debts	3,804,733	1,108,668
II. Liability on account of outstanding forward exchange contracts	164,567,630	142,421,170
III. Guarantees given on behalf of constituents - in India	47,954,495	43,996,473
IV. Acceptances, endorsements and other obligations	14,175,134	13,205,034
V. Other items for which the Bank is contingently liable@	1,849,383	1,804,398
Total	232,351,375	202,535,743

(Refer Note 4.7 of Schedule 18)

@ - includes ₹ 932,590 Thousands (Previous Year : ₹ 773,328 Thousands) being amount transferred to DEAF Cell, RBI and outstanding, as per RBI circular DBOD. No.DEAF Cell.BC.114/30.01.002/2013-14 (Refer Note 3.16 of Schedule 18).

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

(₹ in Thousands)

	Year ended 31 March 2017	Year ended 31 March 2016
SCHEDULE 13 - INTEREST EARNED		
I. Interest/discount on advances/bills	65,456,781	56,693,108
II. Income on investments	18,013,971	17,630,942
III. Interest on balances with Reserve Bank of India and other inter-bank funds	989,331	559,630
IV. Others*	2,313,753	2,597,905
Total	86,773,836	77,481,585
* - Includes interest on Income tax refunds amounting to ₹ 468,420 Thousands (Previous year ₹ 408,492 Thousands) accounted based on Assessment orders received.		
SCHEDULE 14 - OTHER INCOME		
I. Commission, exchange and brokerage	5,760,610	4,407,494
II. Profit on sale of investments (Net)	3,086,508	1,275,129
III. Profit on revaluation of investments (Net)	-	-
IV. Profit / Loss on sale of land, buildings and other assets (Net)	957	(3,406)
V. Profit on foreign exchange transactions (Net)	1,276,827	1,304,908
VI. Income earned by way of dividends etc. from companies in India	-	-
VII. Miscellaneous income	693,165	1,097,778
[Includes Recoveries in assets written off ₹ 552,080 Thousands (Previous year ₹ 889,322 Thousands)]		
Total	10,818,067	8,081,903
SCHEDULE 15 - INTEREST EXPENDED		
I. Interest on deposits	54,035,999	50,614,000
II. Interest on Reserve Bank of India/Inter bank borrowings	223,887	89,818
III. Others	1,987,550	1,700,658
Total	56,247,436	52,404,476
SCHEDULE 16 - OPERATING EXPENSES		
I. Payments to and provisions for employees	11,637,522	10,528,542
II. Rent, taxes and lighting	2,165,405	2,033,856
III. Printing and stationery	269,648	170,859
IV. Advertisement and publicity	108,899	45,536
V. Depreciation on Bank's property	1,221,731	1,054,468
VI. Directors' fees, allowances and expenses	19,338	17,223
VII. Auditors' fees and expenses (including branch auditors' fees and expenses)	74,766	73,642
VIII. Law charges	101,213	83,475
IX. Postage, Telegrams, Telephones etc	556,921	468,985
X. Repairs and maintenance	608,094	558,496
XI. Insurance	847,660	736,995
XII. Other expenditure#	4,484,139	3,149,127
Total	22,095,336	18,921,204

- Includes expenditure on Corporate Social Responsibility - ₹ 154,157 Thousands (Previous Year: ₹ 123,027 Thousands)

THE FEDERAL BANK LIMITED**SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES APPENDED TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2017****1. Background**

The Federal Bank Limited ('the Bank') was incorporated in 1931 as Travancore Federal Bank Limited to cater to the banking needs of Travancore Province. It embarked on a phase of sustained growth under the leadership of Late K.P. Hormis. The Bank has a network of 1273 branches / offices in India and provides retail and corporate banking, para banking activities such as debit card, third party product distribution etc., treasury and foreign exchange business. The bank is governed by the Banking Regulation Act, 1949 and other applicable Acts / Regulations. The Bank's shares are listed on BSE Limited and National Stock Exchange of India Limited. The GDRs issued by the Bank in 2006 have been listed on London Stock Exchange. The bank had set up an International Financial Service Centre (IFSC) Banking unit (IBU) in Gujarat International Finance Tec-City (GIFT City) in line with global financial centres of Singapore and Dubai. IBU at Gift city is equivalent to an Offshore Banking unit, for all regulatory purposes.

2. Basis of preparation

The financial statements have been prepared in accordance with requirements prescribed under the Third Schedule (Form A and Form B) of the Banking Regulation Act, 1949. The accounting and reporting policies of the bank used in the preparation of these financial statements conform to Generally Accepted Accounting Principles in India ("Indian GAAP"), the circulars and guidelines issued by the Reserve Bank of India ('RBI') from time to time and the Accounting Standards prescribed under Section 133 of the Companies Act, 2013 ("the Act") and the relevant provisions of the Act, as applicable and current practices prevailing within the banking industry in India. The Bank follows the historical cost convention and accrual method of accounting in the preparation of the financial statements, except in the case of interest income on Non- Performing Assets (NPAs) and loans under Scheme for Sustainable Structuring of Stressed Assets (S4A) and Strategic Debt restructuring (SDR) scheme of RBI where it is recognised upon realisation as per RBI guidelines. The accounting policies adopted in the preparation of financial statements are consistent with those followed in the previous year.

3. Use of estimates

The preparation of the financial statements in conformity with the generally accepted accounting principles requires the Management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses and disclosure of contingent liabilities at the date of the financial statements. Actual results could differ from those estimates. The Management believes that the estimates used in the preparation

of the financial statements are prudent and reasonable. Any revisions to the accounting estimates are recognised prospectively in the current and future periods.

4. Significant accounting policies**Significant Change in Accounting Policy:****Proposed Dividend**

In terms of revised Accounting Standard (AS) 4 "Contingencies and Events occurring after the Balance sheet date" as notified by the Ministry of Corporate affairs through amendments to Companies (Accounting Standards) Amendment Rules, 2016 dated March 30, 2016, Bank has not accounted for proposed dividend as a liability as at March 31, 2017. Proposed dividend was however accounted as a liability as at March 31, 2016, in line with existing accounting standard applicable at that time.

4.1 Revenue Recognition

- Interest income is recognised on an accrual basis except interest income on non-performing assets, loans under Scheme for Sustainable Structuring of Stressed Assets (S4A) and Strategic Debt restructuring (SDR) scheme of RBI which is recognised upon receipt in accordance with AS-9, Revenue Recognition as prescribed under Section 133 of the Companies Act, 2013 and as specified in RBI guidelines.
- Interest on income tax refund is recognised in the year of passing of Assessment Orders.
- The recoveries made from NPA accounts are appropriated first towards unrealized interest/income debited to borrowers accounts, then expenditure/out of pocket expenses incurred and lastly towards principal dues.
- Processing fees collected on loans disbursed, along with related loan acquisition costs are recognised at inception/ Renewal of the loan.
- Income on discounted instruments is recognised over the tenure of the instrument on a straight line basis.
- Guarantee commission, commission on letter of credit and annual locker rent fees are recognised on a straight line basis over the period of contract. Other fees and commission income are recognised when due, except in cases where the bank is uncertain of ultimate collection.
- Dividend on Equity Shares, Preference Shares and on Mutual Funds is recognised as Income when the right to receive the dividend is established.
- Loan Syndication fee is accounted for on completion of the agreed service and when right to receive is established.

THE FEDERAL BANK LIMITED

SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES APPENDED TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2017 (CONTD...)

- In compromise settlement cases, sacrifice on settlement is accounted upfront.
- Unpaid funded interest on term loans are accounted on realisation as per the guidelines of RBI.
- The difference between the sale price and purchase cost of gold coins, received on consignment basis is included in other income.

4.2 Advances

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

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

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

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

Provision for Unhedged Foreign currency Exposure (UFCE) of borrower entities, is made in accordance with the guidelines issued by RBI, which requires the Bank to ascertain the amount of UFCE, estimate the extent of likely loss and estimate the riskness of unhedged position of those entities. The Provision is classified under Schedule 5 – Other Liabilities in the Balance Sheet

The Bank maintains general provision for standard assets including credit exposures computed as per the current marked to market values of interest rate and foreign exchange derivative contracts, in accordance with the guidelines and at levels stipulated by RBI from time to time – Farm Credit to agricultural activities and Small and Micro Enterprises (SMEs) 0.25%, Commercial Real Estate at

1%, restructured advances at 5%, teaser rate housing loans at 2%, commercial real estate- residential housing at 0.75% and for other sectors at 0.40%.

The bank transfers advances through inter-bank participation with and without risk. In accordance with the RBI guidelines, in the case of participation with risk, the aggregate amount of the participation issued by the Bank is reduced from advances and where bank is participating, the aggregate amount of participation is classified under advances. In the case of participation without risk, the aggregate amount of participation issued by the Bank is classified under borrowings and where the bank is participating, the aggregate amount of participation is shown as due from banks under advances.

Loss on sale of assets to Asset Reconstruction Companies

The RBI issued guidelines on sale of non-performing advances on February 26, 2014. In accordance with these guidelines, if the sale of non-performing advances is at a price below the net book value, the shortfall is charged to the Profit and Loss Account spread over a period of two years. If the sale is for a value higher than the net book value, the excess provision is credited to the Profit and Loss Account in the year the amounts are received.

4.3 Country risk

In addition to the provisions required to be held according to the asset classification status, provisions are held for individual country exposure (other than for home country). The countries are categorised into seven risk categories namely insignificant, low, moderate, high, very high, restricted and off-credit as per Export Credit Guarantee Corporation of India Limited ("ECGC") guidelines and provision is made in respect of the country where the net funded exposure is 1% or more of the bank's total funded assets.

4.4 Investments Classification

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

- Held for Trading (HFT);
- Available for Sale (AFS); and
- Held to Maturity (HTM)

Investments which are primarily held for sale within 90 days from the date of purchase are classified as "Held for Trading". As per RBI guidelines, HFT Securities which remain unsold for a period of 90 days are classified as AFS Securities on that date. Investments which the bank intends to hold till maturity are classified as "Held to Maturity".

THE FEDERAL BANK LIMITED**SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES APPENDED TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2017 (CONTD...)**

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

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

Transfer of securities between Categories

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

Acquisition Cost

In determining the acquisition cost of the Investment:

- Transaction costs including brokerage and commission pertaining to acquisition of Investments are charged to the Profit and Loss Account.
- Broken period interest is charged to the Profit and Loss Account.
- Cost of investments is computed based on the weighted average cost method.

Valuation

The valuation of investments is made in accordance with the RBI Guidelines as follows:

- a) Held for Trading /Available for Sale – Investments classified under the AFS and HFT categories are marked-to-market. The market/fair value of quoted investments included in the 'AFS' and 'HFT' categories is the Market Price of the Scrip as available from the trades/ quotes on the stock exchanges or prices declared by Primary Dealers Association of India ('PDAI') jointly with Fixed Income Money Market and Derivative Associations of India ('FIMMDA'), periodically. Net depreciation, if any, within each category of each investment classification is recognised in Profit and Loss Account. The net appreciation, if any, under each category of each Investment is ignored. Except in cases where provision for diminution other than temporary is created, the Book value of individual securities is not changed consequent to the periodic valuation of Investments.
- b) Held to Maturity– These are carried at their acquisition cost. Any premium on acquisition of government securities are amortised over the remaining maturity period of the security on a straight line basis. Any diminution, other than temporary, in the value of such securities is provided for.
- c) Treasury Bills and Certificate of Deposits being discounted instruments, are valued at carrying cost.
- d) Units of Mutual Funds are valued at the latest repurchase price/net asset value declared by Mutual Fund.
- e) Market value of investments where current quotations are not available, is determined as per the norms prescribed by the RBI as under:
 - in case of unquoted bonds, debentures and preference shares where interest/dividend is received regularly (i.e. not overdue beyond 90 days), the market price is derived based on the Yield to Maturity (YTM) for Government Securities as published by FIMMDA/ PDAI and suitably marked up for credit risk applicable to the credit rating of the instrument. The matrix for credit risk mark-up for each categories and credit ratings along with residual maturity issued by FIMMDA are adopted for this purpose;
 - in case of bonds and debentures (including Pass Through Certificates or PTCs) where interest is not received regularly (i.e. overdue beyond 90 days), the valuation is in accordance with prudential norms for provisioning as prescribed by RBI;
 - Equity shares, for which current quotations are not available or where the shares are not quoted on the stock exchanges, are valued at break-up value (without considering revaluation reserves, if any) which is ascertained from the company's latest Balance Sheet. In case the latest Balance Sheet is not available, the shares are valued at Re. 1/- per company;
 - Depreciation on equity shares acquired and held by the Bank under SDR scheme is provided over a period of four calendar quarters from the date of conversion of debt into equity in accordance with the RBI guidelines.
 - Units of Venture Capital Funds (VCF) held under AFS category where current quotations are not available are marked to market based on the Net Asset Value (NAV) shown by VCF as per the latest audited financials of the fund. In case the audited financials are not available for a period beyond 18 months, the investments are valued at Re.1/- per VCF. Investment in unquoted VCF after 23rd August, 2006 are categorised under HTM category for the initial period of three years and valued at cost as per RBI guidelines;
 - Investment in security receipts are valued as per the Net Asset Value (NAV) obtained from the issuing Reconstruction Company /Securitisation Company.
- f) Investments in subsidiaries/associates are categorised as HTM and assessed for impairment to determine permanent diminution, if any, in accordance with the RBI guidelines.
- g) The Bank follows trade date method of accounting for purchase and sale of investments, except for Government of India and State Government securities where settlement date method of accounting is followed in accordance with RBI Guidelines.

THE FEDERAL BANK LIMITED

SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES APPENDED TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2017 (CONTD...)

- h) Non Performing Investments are identified and valued based on RBI Guidelines.

Disposal of Investments

- a) Held for Trading and Available for Sale – Profit or loss on sale / redemption is included in the Profit and Loss account.
- b) Held to Maturity – Profit on sale / redemption of investments is included in the Profit and Loss Account and is appropriated to Capital Reserve after adjustments for tax and transfer to statutory Reserve. Loss on sale / redemption is charged to the Profit and Loss account.

Repo and Reverse Repo transactions

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

Pursuant to RBI Circular FMRD.DIRD.10/14.03.002/2015-16 dated May 19, 2016, as amended, the bank has considered its repo/ reverse repo transactions under Liquidity Adjustment Facility (LAF) and Marginal Standing Facility (MSF) of RBI as Borrowings/Lending, as the case may be. Hitherto, the repo/ reverse repo transactions under Liquidity Adjustment Facility (LAF) and Marginal Standing Facility (MSF) of RBI were included under Investments.

Short Sales

In accordance with the RBI guidelines, the Bank undertakes short sale transactions in Central Government dated securities. The Short Sales positions are reflected in 'Securities Short Sold ('SSS') A/C', specifically created for this purpose. Such short positions are categorized under HFT category. These positions are marked –to-market along with the other securities under HFT Portfolio and resultant mark-to-market gains/losses are accounted for as per the relevant RBI guidelines for valuation of Investments discussed earlier.

4.5 Transactions involving foreign exchange

Foreign currency income and expenditure items of domestic operations are translated at the exchange rates prevailing on the date of the transaction. Income and expenditure items of non-integral foreign operations (foreign branches) are translated at quarterly average closing rates.

Foreign currency monetary items of domestic operation are translated at the closing exchange rates notified by Foreign Exchange Dealer's Association of India (FEDAI) as at the Balance sheet date and the resulting net valuation profit or loss is

recognized in the profit and loss account.

Both Monetary and Non- Monetary foreign currency Assets and liabilities of Non- Integral Foreign Operations are translated at closing exchange rates notified by FEDAI at the balance sheet date and the resulting profit/loss arising from exchange differences are accumulated in Foreign currency translation Reserve until remittance or the disposal of the net investment in the non-integral foreign operations in accordance with AS-11.

Foreign exchange spot and forward Contracts (Other than Foreign exchange swaps taken to hedge Federal Rupee plus deposits denominated in JPY) outstanding as at the Balance Sheet date are revalued at the closing Spot and Forward Rates respectively as notified by FEDAI and at interpolated rates for contracts of interim maturities. For valuation of contracts having longer maturities i.e. greater than one year, the forward points (for rates/tenures not published by FEDAI) are obtained from Reuters for valuation of the FX Deals. As directed by FEDAI to consider profit or loss on present value basis, the forward profit or loss on the deals are discounted till the valuation date using the discounting yields. The resulting profit or loss on valuation is recognised in the Profit and Loss Account.

Foreign exchange swaps taken to hedge Federal Rupee plus deposits denominated in JPY are translated at the prevailing spot rate at the time of swap. The Premium/ Discount on the swap arising out of the difference in the exchange rate of the swap date and maturity date of the underlying forward exchange contract is amortised over the period of the swap and the same is recognised in the Profit and Loss Account.

Contingent liabilities on account of foreign exchange contracts, guarantees, letters of credit, acceptances and endorsements are reported at closing rates of exchange notified by FEDAI as at the Balance Sheet date

4.6 Derivative transactions

The Bank recognises all derivative contracts at fair value, on the date on which the derivative contracts are entered into and are re-measured at fair value as at the Balance sheet or reporting dates. Derivatives are classified as assets when the fair value is positive (Positive marked-to-market) or as liabilities when the fair value is negative (negative marked-to-market). Changes in the fair value of derivatives other than those designated as hedges are recognised in the Profit and Loss Account.

4.7 Fixed assets and depreciation

Fixed assets are carried at cost of acquisition less accumulated depreciation and impairment, if any. Cost includes cost of purchase and all expenditure like freight, duties, taxes and incidental

THE FEDERAL BANK LIMITED**SCHEDULE 17: SIGNIFICANT ACCOUNTING POLICIES APPENDED TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2017 (CONTD...)**

expenses related to the acquisition and installation of the asset.

Capital work-in-progress includes cost of fixed assets that are not ready for their intended use and also includes advances paid to acquire fixed assets.

Depreciation on fixed assets, including amortisation of software, is charged over the estimated useful life of fixed assets on a straight-line basis at the rates and manner prescribed in Schedule II of the Companies Act, 2013, except as mentioned below:

- Premises are depreciated under the written down value method, using the same useful life as in Schedule II of the Companies Act, 2013. Improvement to leased Premises are depreciated over 5 years based on technical evaluation.
- Depreciation on premises revalued has been charged on their written-down value including the addition made on revaluation.
- Assets individually costing ₹ 2,000/- or less are fully depreciated in the year of purchase.

Depreciation on assets sold during the year is recognised on a pro-rata basis till the date of sale.

Profit on sale of premises is appropriated to Capital Reserve account in accordance with RBI instructions.

4.8 Impairment of Assets

The carrying values of assets at each balance sheet date are reviewed for impairment, if any indication of impairment exists. If the carrying amount of the assets exceeds the estimated recoverable amount, an impairment is recognised for such excess amount. The impairment loss is recognised as an expense in the Profit and Loss Account, unless the asset is carried at revalued amount, in which case any impairment loss of the revalued asset is treated as a revaluation decrease to the extent a revaluation reserve is available for that asset.

The recoverable amount is the greater of the net selling price and their value in use. Value in use is arrived at by discounting the future cash flows to their present value based on an appropriate discount factor.

When there is indication that an impairment loss recognised for an asset (other than a revalued asset) in earlier accounting periods no longer exists or may have decreased, such reversal of impairment loss is recognised in the Profit and Loss Account, to the extent the amount was previously charged to the Profit and Loss Account. In case of revalued assets such reversal is not recognized.

4.9 Non-Banking Assets

Non-Banking assets acquired in settlement of debts / dues are

accounted at the lower of their cost of acquisition or net realisable value.

4.10 Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, balances with Reserve Bank of India and Balances with Other Banks / institutions and money at call and short notice (including the effect of changes in exchange rates on cash and cash equivalents in foreign currency).

4.11 Lease transactions**Operating Lease**

Leases where the lessor effectively retains substantially all the risks and benefits of ownership over the lease term are classified as operating lease. Lease payments for assets taken on operating lease are recognised as an expense in the Profit and Loss Account as per the lease terms.

4.12 Retirement and other employee benefits**a) Provident Fund**

The contribution made by the bank to The Federal Bank Employees Provident Fund, administered by the trustees is charged to the Profit and Loss account.

b) Pension Fund

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

Employees who had joined the services of the Bank with effect from April 01, 2010 are covered under Defined Contributory Pension Scheme (DCPS). In respect of such employees the bank contributes 10% of the Basic Pay plus Dearness Allowance and the expenditure thereof is charged to the Profit and Loss account.

c) Gratuity

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

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to the schemes.

d) Compensation for absence on Privilege / Sick / Casual Leave and Leave Travel Concession (LTC)

The employees of the bank are entitled to compensated absence on account of privilege / sick / casual leave as per the leave rules. The bank measures the long term expected cost of compensated absence as a result of the unused entitlement that has accumulated at the balance sheet date based on actuarial valuation and such costs are recognised in the profit and loss accounts.

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

e) Other employee Benefits

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

4.13 Debit card reward points

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

4.14 Employee Stock Option Scheme

The Bank has formulated Employee Stock Option Scheme (ESOS) 2010 in accordance with Securities and Exchange Board of India (Employee Stock Option Scheme) Guidelines, 1999. The Scheme provides for grant of options to Employees of the Bank to acquire Equity Shares of the Bank that vest in a graded manner and that are to be exercised within a specified period. In accordance with the SEBI Guidelines and the guidance note on "Accounting for Employee Share based payments" issued by the ICAI, the excess, if any, of the market price of the share preceding the date of grant of the option under ESOS over the exercise price of the option is amortised on a straight line basis over the vesting period.

4.15 Taxation

Income tax expense is the aggregate amount of current tax and deferred tax charge.

Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the applicable tax rates and the provisions of the Income Tax Act, 1961 and other applicable tax laws.

Minimum Alternate Tax (MAT) paid in accordance with the tax laws, which gives future economic benefits in the form of adjustment to future income tax liability, is considered as an asset if there is convincing evidence that the Bank will pay normal income tax. Accordingly, MAT is recognised as an asset in the Balance Sheet when it is highly probable that future economic benefit associated with it will flow to the Bank.

Deferred tax is recognised on timing differences, being the differences between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted as at the reporting date. Deferred tax liabilities are recognised for all timing differences. Deferred tax assets are recognised for timing differences of items other than unabsorbed depreciation and carry forward losses only to the extent that reasonable certainty exists that sufficient future taxable income will be available against which these can be realised. However, if there are unabsorbed depreciation and carry forward of losses and items relating to capital losses, deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that there will be sufficient future taxable income available to realise the assets. Deferred tax assets and liabilities are offset if such items relate to taxes on income levied by the same governing tax laws and the Bank has a legally enforceable right for such set off. Deferred tax assets are reviewed at each balance sheet date for their realisability.

Current and deferred tax relating to items directly recognised in reserves are adjusted in reserves and not in Profit and Loss Account.

4.16 Earnings per Share

The Bank reports basic and diluted earnings per share in accordance with AS 20, Earnings per Share, as prescribed under Section 133 of the Companies Act, 2013. Basic earnings per share is computed by dividing the net profit after tax by the weighted average number of equity shares outstanding for the year.

Diluted earnings per share reflect the potential dilution that could occur if securities or other contracts to issue equity shares were exercised or converted during the year. Diluted earnings per share is computed using the weighted average number of equity shares and dilutive potential equity shares outstanding at the year end.

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4.17 Share issue expenses

Share issue expenses are adjusted from Share Premium Account in terms of Section 52 of the Companies Act, 2013.

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'.

4.18 Segment information

The disclosure relating to segment information is in accordance with the guidelines issued by RBI.

4.19 Provisions, contingent liabilities and contingent assets

A provision is recognised when the Bank has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions (excluding retirement benefits) are not discounted to its present value and are determined based on best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates.

A disclosure of contingent liability is made when there is:

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

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

4.20 Corporate Social Responsibility

Spends towards corporate social responsibility, in accordance with Companies Act, 2013 are recognised in the Profit and Loss Account.

4.21 CENVAT Credit

Service tax input credit is accounted for in the books within the time limit prescribed under CENVAT Credit Rules, 2004, as amended.

4.22 Priority Sector Lending Certificates (PSLC)

The Bank vide RBI circular FIDD.CO.Plan.BC.23/ 04.09.01/2015-16 dated April 7, 2016 trades in priority sector portfolio by selling or buying PSLC. There is no transfer of risks or loan assets in these

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1. Disclosures requirement as per RBI's Master Circular on Disclosure in Financial Statements

Amounts in notes forming part of the financial statements for the year ended 31st March, 2017 are denominated in Rupees Crore to conform to extant RBI guidelines.

1.1. Capital Adequacy Ratio

The Bank computes Capital Adequacy Ratio as per Basel III Capital Regulations issued by RBI, which became applicable to the Bank with effect from April 1, 2013.

Under Basel III Capital Regulations, on an on-going basis, the Bank has to maintain a Minimum Total Capital (MTC) of 10.25% (Previous Year 9.625%) including Capital Conversion Buffer (CCB) at 1.25% (Previous Year 0.625%), of the total risk weighted assets (RWA). Out of the MTC, at least 6.75% (Previous Year 6.125%), shall be from Common Equity Tier 1 (CET1) capital and at least 8.25% (Previous Year 7.625%) from Tier 1 capital, including 1.25% (Previous Year 0.625%) towards CCB. The capital adequacy ratio of the Bank is set out below:

Particulars	(₹ in Crore)	
	As at 31 March, 2017	As at 31 March, 2016
Common Equity Tier I	8,539.25	7,791.84
Tier 1 Capital	8,539.25	7,791.84
Tier 2 Capital	416.08	333.64
Total Capital	8,955.33	8,125.48
Total risk weighted assets	72,295.43	58,330.10
Capital Ratios		
Common Equity Tier 1	11.81%	13.36%
Tier 1 Capital	11.81%	13.36%
Tier 2 Capital	0.58%	0.57%
Total CRAR	12.39%	13.93%
Percentage of the shareholding of the Government of India in public sector banks	NA	NA
Amount of Equity Capital Raised	-	-
Amount of Additional Tier I Capital raised of which:	-	-
a) Perpetual Non- Cumulative Preference Shares(PNCPS)	-	-
b) Perpetual Debt Instruments (PDI)	-	-
Amount of Tier II Capital raised of which:	-	-
a) Debt Capital instruments	-	-
b) Preference Share Capital Instruments:	-	-
[Perpetual Cumulative Preference Shares (PCPS) / Redeemable Non-Cumulative Preference Shares (RNCPS) / Redeemable Cumulative Preference Shares (RCPS)]	-	-

In accordance with RBI Guidelines, banks are required to make Pillar 3 disclosures under Basel III capital regulations. The Bank has made these disclosures which are available on its website at the following link: <http://www.federalbank.co.in/regulatory-disclosures>. The Pillar 3 disclosures have not been subjected to audit

THE FEDERAL BANK LIMITED**SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2017 (CONTD...)****1.2. Investments****1.2.1. Details of Investments:**

(₹ in Crore)

Particulars	31st March 2017	31st March 2016
(1) Value of Investments		
(i) Gross Value of Investments		
(a) In India	28,332.01	25,261.99
(b) Outside India	0.93	0.81
(ii) Provision for Depreciation		
(a) In India	53.37	29.06
(b) Outside India	0.06	0.16
(iii) Provision for Non-performing investments		
(a) In India	83.43	78.09
(b) Outside India	-	-
(iv) Net value of Investments		
(a) In India	28,195.21	25,154.84
(b) Outside India	0.87	0.65
(2) Movement of provision held towards depreciation on Investments		
(i) Opening Balance	29.22	12.48
(ii) Add: Provisions made during the year	89.48	36.34
(iii) Less: Write off / Write back of excess provision during the year	65.27	19.60
(iv) Closing Balance	53.43	29.22
(3) Movement of provision for Non-performing investments (NPIs)		
(i) Opening Balance	78.09	17.53
(ii) Add: Provisions made during the year	5.34	63.42
(iii) Less: Write off / Write back of excess provision during the year	-	2.86
(iv) Closing Balance	83.43	78.09

Movement in provisions held towards depreciation on investments have been reckoned on a yearly basis

1.2.2. a) Investments under HTM (excluding specified investments as per RBI norms) account for 19.78% (Previous year 20.72%) of demand and time liabilities as at the end of March 2017 as against permitted ceiling of 20.50% (Previous Year: 21.50%) stipulated by RBI.

b) In respect of securities held under HTM category premium of ₹47.65Crore (Previous year: ₹35.34 Crore) has been amortised during the year and debited under interest received on Government securities.

c) Profit on sale of securities from HTM category amounting to ₹134.26Crore(Previous year: ₹12.92 Crore) has been taken to Profit and Loss Account. During the year, the Bank had appropriated ₹ 65.85Crore(Previous year ₹ 6.34 Crore), [net of taxes and transfer to statutory reserve] to theCapital Reserve, being the gain on sale of HTM Investments in accordance with RBI guidelines.

d) During the year ended 31st March, 2017 the bank had withdrawn ₹14.49Crore (Previous year: ₹ 8.21 Crore) [net of applicable taxes and transfer to statutory reserve] from Investment Reserve Account on provision for depreciation on Investments, debited to Profit and Loss account.

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1.2.3. Repo Transactions

Details of securities sold/purchased (in face value terms) during the years ended 31stMarch, 2017 and 31stMarch, 2016 under repos/ reverse repos:

(₹ in Crore)

Particulars	Outstanding during the year			Outstanding as on 31/03/2017/ (31/03/2016)
	Minimum	Maximum	Daily Average	
A) Securities sold under RBI Repos				
i) Government Securities	- (-)	3,200.00 (2,825.00)	220.93 (427.76)	0.00 (2,825.00)
ii) Corporate Debt Securities	- (-)	- (-)	- (-)	- (-)
Securities purchased under RBI Reverse Repos				
i) Government Securities	- (-)	4,341.00 (1,541.00)	742.73 (135.52)	1,450.00 (-)
ii) Corporate Debt Securities	- (-)	- (-)	- (-)	- (-)
B) Securities sold under Market Repos				
i) Government Securities	- (-)	966.47 (104.05)	125.08 (10.58)	919.74 (-)
ii) Corporate Debt Securities	- (-)	- (-)	- (-)	- (-)
Securities purchased under Reverse Market Repos				
i) Government Securities	- (-)	2,672.96 (1,045.55)	490.63 (143.71)	- (-)
ii) Corporate Debt Securities	- (-)	- (-)	- (-)	- (-)

(Previous year's figures are given in brackets)

1.2.4. Details of Non-SLR investment portfolio -
a) Issuer composition as at 31 March, 2017 of Non-SLR investments

(₹ in Crore)

Sl.No.	Issuer	Amount	Extent of private placement	Extent of 'below investment grade' securities	Extent of 'unrated' securities **	Extent of 'unlisted' Securities ***
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	Public Sector Undertakings	267.54 (275.74)	267.54 (275.74)	- (5)	- (-)	- (-)
2	Financial Institutions	2,485.82 (962.93)	769.98 (500.17)	- (-)	- (-)	5 (5)
3	Banks	1,832.88 (1,305.10)	105.14 (108.14)	- (30)	- (-)	- (-)

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(₹ in Crore)

Sl.No.	Issuer	Amount	Extent of private placement	Extent of 'below investment grade' securities	Extent of 'unrated' securities **	Extent of 'unlisted' Securities ***
(1)	(2)	(3)	(4)	(5)	(6)	(7)
4	Private Corporates	849.19 (1,082.86)	402.87 (416.65)	70.98 (35.36)	0 (15)	34.98 (59.98)
5	Subsidiaries/ Joint ventures	398.00 (398.00)	398 (398)	- (-)	- (-)	- (-)
6	Others*	919.33 (678.28)	806.13 (678.28)	608.95 (450.82)	173.53 (188.51)	- (-)
7	Less: Provision held towards depreciation on investment	38.65 (23.91)	XXX	XXX	XXX	XXX
8	Less: Provision held towards non performing investments	83.43 (78.09)	XXX	XXX	XXX	XXX
	Total	6,630.68 (4,600.91)	2,749.66 (2,376.98)	679.93 (521.18)	173.53 (203.51)	39.98 (64.98)

Previous year's figures are given in brackets

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

* Includes Investments in Non-SLR government securities amounting to ₹113.18 Crore(Previous year:₹612.61 Crore).

** Excludes investments in equity shares, commercial papers, Certificates of Deposit, Securities directly issued by the Central and State Governments, which are not reckoned for SLR purposes, security acquired by way of conversion of debt and units issued by venture capital in line with extant RBI guidelines.

*** Excludes investments in equity shares, units issued by venture capital funds, pass through certificates, security receipts, security acquired by way of conversion of debt and certificate of deposits in line with extant RBI guidelines.

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

(₹ in Crore)

Particulars	31 March 2017	31 March 2016
Shares	218.47	156.09
Debentures and Bonds*	1,407.61	1,699.04
Subsidiaries/Joint Ventures	398.00	398.00
Others	4,606.60	2,960.39
Total	6,630.68	5,213.52

* - Includes Investments in Non-SLR government securities amounting to ₹113.18 Crore(Previous year:₹612.61 Crore).

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SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2017 (CONTD...)
c) Non-performing Non-SLR investments is set out below:

(₹ in Crore)

Particulars	31 March 2017	31 March 2016
Opening Balance	232.65	17.53
Additions during the year	35.42	217.98
Reductions during the year	-	2.86
Closing Balance	268.07	232.65
Total Provision held	83.43	78.09

1.2.5. Sale and transfers to/ from HTM Category

During the current year, the value of sales/transfers of securities to/from HTM category (excluding one-time transfer of securities and sales to RBI under OMO auctions) was within 5% of the book value of investments held in HTM category at the beginning of the year.

1.3. Derivatives

Disclosure in respect of Outstanding Interest Rate Swaps (IRS) and Forward Rate Agreement (FRA)

1.3.1 A) Exchange Traded Interest Rate Derivatives:

(₹ in Crore)

Sl. No.	Particulars	31 March 2017	31 March 2016
(i)	Notional principal amount of exchange traded interest rate derivatives undertaken during the year (instrument-wise)		
a)	7.59 G-Sec 2026	14,070.24	
b)	6.97 G-Sec 2026	62.44	Nil
c)	7.72 G-Sec 2025	1,294.44	
(ii)	Notional principal amount of exchange traded interest rate derivatives outstanding as on 31st March 2017	Nil	Nil
(iii)	Notional principal amount of exchange traded interest rate derivatives outstanding and not "highly effective" (Instrument-wise)	Nil	Nil
(iv)	Mark-to-market value of exchange traded interest rate derivatives outstanding and not "highly effective" (instrument wise)	Nil	Nil

1.3.1. B) The bank had dealt in exchange traded currency futures during the financial year ended March 31, 2017 and March 31, 2016. As at March 31, 2017 the open contracts on the exchange was Nil.

1.3.2 Forward Rate Agreement (FRA)/ Interest Rate Swap (IRS)

Disclosure in respect of Outstanding Interest Rate Swaps (IRS) and Forward Rate Agreement (FRA)

(₹ in Crore)

Particulars	31 March 2017	31 March 2016
i) The notional principal of swap agreements	1,825.00	2,200.00
ii) Losses which would be incurred if counter parties failed to fulfil their obligations under the agreements	3.48	7.04
iii) Collateral required by the bank upon entering into swaps	Nil	Nil
iv) Concentration of credit risk arising from the swaps	39.54	Nil
v) The fair value of the swap book	-0.9	0.01

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The nature and terms of the IRS as on 31 March, 2017 are set out below:

(₹ in Crore)

Nature	Nos.	Notional Principal	Benchmark	Terms
Trading	31	925	MIOIS	Fixed payable v/s floating receivable
Trading	29	900	MIOIS	Fixed Receivable/floating payable

The nature and terms of the IRS as on 31 March, 2016 are set out below:

(₹ in Crore)

Nature	Nos.	Notional Principal	Benchmark	Terms
Trading	35	1025	NSE MIBOR	Fixed payable v/s floating receivable
Trading	34	1025	NSE MIBOR	Fixed Receivable/floating payable
Trading	6	150	NSE MIBOR	Fixed Receivable/floating payable

The bank has not undertaken any transactions in Credit Default Swaps (CDS) during the year 31 March, 2017 and 31 March, 2016.

1.3.3. Disclosure on Risk exposure in Derivatives**Qualitative disclosures:****(a) Structure and organization for management of risk in derivatives trading, the scope and nature of risk measurement, risk reporting and risk monitoring systems, policies for hedging and/or Mitigating risk and strategies and processes for monitoring the continuing effectiveness of Hedges/ mitigants:**

Derivatives are financial instruments whose characteristics are derived from an underlying asset like interest rates, exchange rates or indices. The Bank undertakes over the counter and exchange traded derivative transactions for Balance Sheet management and also for proprietary trading/market making. Bank offers derivative products to the customers to enable them to hedge their exposure within the prevalent regulatory guidelines.

Proprietary trading includes Interest Rate Futures, Currency Futures and Rupee Interest Rate Swaps under different benchmarks (viz. MIBOR, MIFOR etc) in over the counter/exchange traded derivatives. The Bank also undertakes transactions in Long Term Forex Contracts (LTFX) for hedging its Balance Sheet and also offers them to its customers. These transactions expose the Bank to various risks primarily credit, market, operational, legal, and reputation. The Bank has adopted the following mechanism for managing risks arising out of the derivative transactions.

The derivative transactions are governed by the Investment, forex and derivative policy and market risk management policy of the Bank as well as by the extant RBI guidelines. Various operational/risk limits are set up and actual exposures are monitored vis-à-vis the limits allocated. These limits are set up taking into account market volatility, risk appetite, business strategy and management experience. Risk limits are in place for risk parameters viz. Value at Risk (VaR), Stop Loss, PVBP. Actual positions are monitored against these limits on a daily basis and breaches, if any, are reported promptly. Risk assessment of the portfolio is undertaken periodically.

The Treasury front office enters into derivative transaction with customers and interbank counterparties. The Bank has an independent back office and mid office as per regulatory guidelines. The MTM position of the derivative portfolio is monitored on a regular basis. The impact on derivative portfolio on account of the probable market movements are assessed on regular basis. The risk profile of the outstanding portfolio is reviewed by the Board at regular intervals. The current outstanding under the derivatives portfolio were executed for trading purposes.

(b) Accounting policy for recording hedge and non-hedge transactions, recognition of income, Premiums and discounts, valuation of outstanding contracts

Bank deals in derivatives for hedging G-Sec or foreign currency assets/liabilities subject to the prevailing regulatory guidelines. Transactions for hedging and trading are recorded separately. For hedge transactions, the Bank identifies the hedged item (asset or liability) at the inception of the transaction itself. The effectiveness is ascertained at the time of inception of the hedge and periodically thereafter.

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Transactions related to foreign exchange forward, Interest rate Future/IRS/Currency future are marked to market every month and the MTM is accounted in the books.

(c) Collateral Security

We have provided Sufficient Collateral Security to Central counter Parties and Exchanges wherever Applicable

As per market practice, no collateral security is insisted on for the contracts with counter parties like Banks/Primary Dealers (PDs) etc. For deals with Corporate Clients, appropriate collateral security/margin etc. is stipulated wherever considered necessary.

(d) Credit Risk Mitigation

Most of the deals have been contracted with Banks/ Major PDs and no default risk is anticipated on the deals with them.

Quantitative Disclosures

(₹ in Crore)

Sl. No	Particulars	Currency Derivatives*		Interest rate Derivatives	
		Year ended March 31, 2017	Year ended March 31, 2016	Year ended March 31, 2017	Year ended March 31, 2016
(i)	Derivatives (Notional Principal Amount)				
	a) For hedging	-	-	-	150
	b) For trading	-	-	1,825.00	2,050.00
(ii)	Marked to Market positions				
	a) Asset (+)	-	-	7.5	7.04
	b) Liabilities (-)	-	-	8.4	-7.04
(iii)	Credit Exposure	-	-	24.38	25.66
(iv)	Likely impact of one percentage change in interest rate (100*PV01)				
	a) on hedging derivatives	-	-	-	6.08
	b) on trading derivatives	-	-	-0.58	-0.78
(v)	Maximum and Minimum of 100*PV01 observed during the year				
	a) on hedging	-	-	-	Max 0.624
					Min 0.180
	b) on trading	-	-	Max -0.56	Max 0.149
				Min -0.99	Min -0.688

* excludes forward exchange contract.

- The notional principal amount of forward exchange contracts classified as Hedging and Trading outstanding as on March 31, 2017 amounted to ₹ 3003.98 Crore (Previous year ₹ 1589.18 Crore) and ₹ 13452.78 Crore (Previous year ₹ 12652.94 Crore) respectively. For the hedging contract, at 31st March, 2017 the marked to market position was asset ₹ 54.81 crores and liability of ₹ 110.23 crores. For the trading contract, at 31st March, 2017 the marked to market position was asset ₹ 360.06 crores and liability of ₹ 292.43 crores (Previous year net MTM ₹ 21.15 Crore). Credit exposure on forward exchange contracts at March 31, 2017 was ₹ 893.33 Crore (Previous year ₹ 227.76 Crore).
- The notional principal amounts of derivatives reflect the volume of transactions outstanding as at the Balance Sheet date and do not represent the amounts at risk.

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- Interest rate derivative represents interest rate swaps.
- The bank has computed the maximum and minimum of PV01 for the year based on the balances as at the end of every month.
- In respect of derivative contracts, the bank evaluates the credit exposure arising therefrom, in line with RBI guidelines. Credit exposure has been computed using the current exposure method which is the sum of :
 - a) The current replacement cost (Marked to Market value including accruals of the contract) or zero whichever is higher.
 - b) The Potential Future Exposure (PFE) is a product of the notional principal amount of the contract and a factor that is based on the grid of credit conversion factor prescribed in RBI Guidelines, which is applied on the basis of the residual maturity and the type of contract.

1.4. Asset Quality**1.4.1 Net non-performing assets**

Particulars	31 March, 2017 (%)	31 March, 2016 (%)
Net non-performing assets as a percentage of net advances.	1.28	1.64

1.4.2 Movement in gross non-performing assets

(₹ in Crore)

Particulars	31 March, 2017	31 March, 2016
Opening Balance	1,667.77	1,057.73
Additions during the year	1,074.99	1,895.41
Reductions during the year	1,015.71	1,285.37
Closing Balance	1,727.05	1,667.77

1.4.3 Movement in net non-performing assets

(₹ in Crore)

Particulars	31 March, 2017	31 March, 2016
Opening Balance	950.01	373.27
Additions during the year	523.77	956.33
Reductions during the year	532.58	379.59
Closing Balance	941.20	950.01

1.4.4 Movement in provisions for non-performing assets

(₹ in Crore)

Particulars	31 March, 2017	31 March, 2016
Opening Balance	700.50	666.38
Additions during the year	528.63	908.17
Reductions during the year	474.68	874.05
Closing Balance	754.45	700.50

1.4.5 Divergence in Asset classification and Provisioning for NPAs

The divergence observed by RBI for the Financial year 2015-16 in respect of the Bank's asset classification and provisioning under the extant prudential norms on income recognition, asset classification and provisioning is insignificant and hence the disclosure as required under RBI Circular DBR.BP.BC.No.63/21.04.018/2016-17 dated April 18, 2017 on 'Divergence in the asset classification and provisioning', is not required to be made.

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SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2017 (CONTD...)
1.4.6 A) Particulars of Accounts Restructured

Details of loan assets subjected to restructuring during the year ended 31 March, 2017:

(₹ in Crore)

Type of Restructuring		Under CDR Mechanism					Under SME Debt Restructuring Mechanism ⁵				
		Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total
Restructured accounts as at 1 April 2016 (Opening Balance)	No. of borrowers	6	5	1	1	13	0	0	0	0	0.00
	Amount Outstanding – (a)Restructured facility	285.16	145.66	40.06	3.75	474.63	0.00	0.00	0.00	0.00	0.00
	b)Other Facility	2.83	1.65	10.00	3.78	18.26	0.00	0.00	0.00	0.00	0.00
	Provision thereon	44.98	1.20	0.00	0.00	46.18	0.00	0.00	0.00	0.00	0.00
Movement in balance for accounts appearing under opening balance ⁴	No. of borrowers	0	-4	0	0	-4	0	0	0	0	0
	Amount Outstanding – (a)Restructured facility	-21.37	-142.98	-40.06	-3.75	-208.16	0.00	0.00	0.00	0.00	0.00
	b)Other Facility	-1.27	0.16	0.00	0.00	-1.11	0.00	0.00	0.00	0.00	0.00
	Provision thereon	-9.49	-1.20	0.00	0	-10.69	0.00	0.00	0.00	0.00	0.00
Fresh Restructuring during the year ended 31 March 2017 ²	No. of borrowers	0	0	0	0	0	0	0	0	0	0
	Amount Outstanding – (a)Restructured facility	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	b)Other Facility	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Provision thereon	0.00	0.00	0.00	0	0.00	0.00	0.00	0.00	0.00	0.00
Upgradation to restructured standard category during the year ended 31 March 2017	No. of borrowers	0	0	0	0	0	0	0	0	0	0
	Amount Outstanding – (a)Restructured facility	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	b)Other Facility	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Provision thereon	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Restructured Standard Advances which cease to attract higher provisioning and/or additional risk weight at the end of 31 March 2017 ³	No. of borrowers	0				0	0				0
	Amount Outstanding – (a)Restructured facility	0.00				0.00	0.00				0.00
	b)Other Facility					0.00					0.00
	Provision thereon	0.00				0.00	0.00				0.00
Downgradation of restructured accounts during the year ended 31 March 2017	No. of borrowers	-1	-1	2	0	0	0	0	0	0	0
	Amount Outstanding – (a)Restructured facility	-31.43	-2.68	34.11	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	b)Other Facility	0.00	-1.82	1.82	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Provision thereon	-4.45	0.00	4.45	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Write-offs/ Sale of restructured accounts during the year ended 31 March 2017	No. of borrowers	0	0	0	0	0	0	0	0	0	0
	Amount Outstanding – (a)Restructured facility	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	b)Other Facility	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Provision thereon	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Restructured accounts as at 31 March 2017(closing figures) ¹	No. of borrowers	5	0	3	1	9	0	0	0	0	0
	Amount Outstanding – (a)Restructured facility	232.36	0.00	34.11	0.00	266.47	0.00	0.00	0.00	0.00	0.00
	b)Other Facility	1.56	0.00	11.82	3.78	17.16	0.00	0.00	0.00	0.00	0.00
	Provision thereon	31.04	0.00	4.45	0.00	35.49	0.00	0.00	0.00	0.00	0.00

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SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2017 (CONTD...)

(₹ in Crore)

Type of Restructuring		Others					Total				
Asset Classification		Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total
Restructured accounts as at 1 April 2016 (Opening Balance)	No. of borrowers	20	55	74	101	250	26	60	75	102	263
	Amount Outstanding – (a)Restructured facility	517.92	104.38	94.52	2.32	719.14	803.08	250.04	134.58	6.07	1193.77
	b)Other Facility	247.34	193.38	8.33	0.02	449.07	250.17	195.03	18.33	3.80	467.33
	Provision thereon	70.02	5.25	0.18	0.11	75.56	115.00	6.45	0.18	0.11	121.74
Movement in balance for accounts appearing under opening balance ¹	No. of borrowers	-2	-17	-13	-17	-49	-2	-21	-13	-17	-53
	Amount Outstanding – (a)Restructured facility	-147.46	-64.74	-70.79	-0.04	-283.03	-168.83	-207.72	-110.84	-3.79	-491.18
	b)Other Facility	-213.57	16.06	-2.90	0.00	-200.41	-214.85	16.23	-2.90	0.00	-201.52
	Provision thereon	-14.86	-4.63	0.06	0.00	-19.43	-24.35	-5.83	0.06	0.00	-30.12
Fresh Restructuring during the year ended 31 March 2017 ²	No. of borrowers	8	1	0.00	1	10	8	1	0	1	10
	Amount Outstanding – (a)Restructured facility	203.03	0.01	0.00	0.05	203.09	203.03	0.01	0.00	0.05	203.09
	b)Other Facility	23.28	0.00	0.00	0.00	23.28	23.28	0.00	0.00	0.00	23.28
	Provision thereon	33.38	0.00	0.00	0.00	33.38	33.38	0.00	0.00	0.00	33.38
Upgradation to restructured standard category during the year ended 31 March 2017	No. of borrowers	16	-7	-1	-8	0	16	-7	-1	-8	0
	Amount Outstanding – (a)Restructured facility	0.75	-0.49	-0.07	-0.19	0.00	0.75	-0.49	-0.07	-0.19	0.00
	b)Other Facility	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Provision thereon	0.04	-0.02	0.00	-0.02	0.00	0.04	-0.02	0.00	-0.02	0.00
Restructured Standard Advances which cease to attract higher provisioning and/or additional risk weight at the end of 31 March 2017 ³	No. of borrowers	-9				-9	-9				-9
	Amount Outstanding – (a)Restructured facility	-0.28				-0.28	-0.28				-0.28
	b)Other Facility	0.00				0.00	0.00				0.00
	Provision thereon	-0.01				-0.01	-0.01				-0.01
Downgradation of restructured accounts during the year ended 31 March 2017	No. of borrowers	-5	-23	21	7	0	-6	-24	23	7	0
	Amount Outstanding – (a)Restructured facility	-6.66	-32.38	38.93	0.11	0.00	-38.09	-35.06	73.04	0.11	0.00
	b)Other Facility	-4.94	-2.24	7.18	0.00	0.00	-4.94	-4.05	8.99	0.00	0.00
	Provision thereon	-0.04	-0.54	0.57	0.01	0.00	-4.49	-0.54	5.02	0.01	0.00
Write-offs/ Sale of restructured accounts during the year ended 31 March 2017	No. of borrowers	0	0	0	0	0	0	0	0	0	0
	Amount Outstanding – (a)Restructured facility	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	b)Other Facility	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Provision thereon	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Restructured accounts as at 31 March 2017(closing figures) ⁴	No. of borrowers	28	9	81	84	202	33	9	84	85	211
	Amount Outstanding – (a)Restructured facility	567.29	6.78	62.59	2.25	638.91	799.65	6.78	96.70	2.25	905.38
	b)Other Facility	52.11	207.20	12.61	0.02	271.94	53.67	207.20	24.43	3.80	289.10
	Provision thereon	88.53	0.05	0.81	0.10	89.49	119.57	0.05	5.26	0.10	124.98

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1 Includes accounts closed during the year on account of payment of outstanding facilities by the borrower, also includes the difference of amount between the balance of FY16 and FY17 and also include sale of Restructured accounts as follows:

(₹ in Crore)

	Under CDR Mechanism					Others				
	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total
No. of borrowers	0	1	0	0	1	0	2	1	0	3
Amount Outstanding (a)Restructured facility @	0.00	49.53	0.00	0.00	49.53	0.00	35.44	50.04	0.00	85.48
b)Other Facility @	0.00	0.00	0.00	0.00	0.00	0.00	2.30	0.00	0.00	2.30
Provision thereon @	0.00	0.81	0.00	0.00	0.81	0.00	2.08	0.00	0.00	2.08

@ Represents balance as on 31-03-2016

2 Amount reported here represents outstanding as on 31 March, 2017.

3 Accounts which were not attracting higher provisioning and/or additional risk weight at the beginning of the financial year.

4 Other Facility include investment in Bond/Debentures amounting to ₹ 216.04 Crore.

5 There are no SME cases which have been restructured during the year ended 31 March, 2017.

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SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2017 (CONTD...)

Details of loan assets subjected to restructuring during the year ended 31 March, 2016:

(₹ in Crore)

Type of Restructuring Asset Classification		Under CDR Mechanism					Under SME Debt Restructuring Mechanism ⁶				
		Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total
Restructured accounts as at 1 April 2015 (Opening Balance)	No. of borrowers	13	1	3	-	17	-	-	-	-	-
	Amount Outstanding – (a)Restructured facility	469.85	26.09	105.35	-	601.29	-	-	-	-	-
	b)Other Facility	74.11	17.71	21.65	-	113.47	-	-	-	-	-
	Provision thereon	6.96	0.26	4.71	-	11.93	-	-	-	-	-
Movement in balance for accounts appearing under opening balance ¹	No. of borrowers	3	-	-	-	3	-	-	-	-	-
	Amount Outstanding – (a)Restructured facility	136.48	-	0.01	-	136.49	-	-	-	-	-
	b)Other Facility	(29.77)	-	(5.26)	-	(35.03)	-	-	-	-	-
	Provision thereon	39.22	0.01	(0.01)	-	39.22	-	-	-	-	-
Fresh Restructuring during the year ended 31 March 2016 ²	No. of borrowers	-	-	-	-	-	-	-	-	-	-
	Amount Outstanding – (a) Restructured facility	-	-	-	-	-	-	-	-	-	-
	b)Other Facility	-	-	-	-	-	-	-	-	-	-
	Provision thereon	-	-	-	-	-	-	-	-	-	-
Upgradation to restructured standard category during the year ended 31 March 2016	No. of borrowers	-	-	-	-	-	-	-	-	-	-
	Amount Outstanding – (a) Restructured facility	-	-	-	-	-	-	-	-	-	-
	b)Other Facility	-	-	-	-	-	-	-	-	-	-
	Provision thereon	-	-	-	-	-	-	-	-	-	-
Restructured Standard Advances which cease to attract higher provisioning and/or additional risk weight at the end of 31 March 2016	No. of borrowers	(3)	-	-	-	(3)	-	-	-	-	-
	Amount Outstanding – (a) Restructured facility	(62.41)	-	-	-	(62.41)	-	-	-	-	-
	b)Other Facility	(5.00)	-	-	-	(5.00)	-	-	-	-	-
	Provision thereon	-	-	-	-	-	-	-	-	-	-
Downgradation of restructured accounts during the year ended 31 March 2016	No. of borrowers	(7)	6	-	1	-	-	-	-	-	-
	Amount Outstanding – (a) Restructured facility	(258.76)	255.01	-	3.75	-	-	-	-	-	-
	b)Other Facility	(36.51)	32.73	-	3.78	-	-	-	-	-	-
	Provision thereon	(1.20)	1.20	-	-	-	-	-	-	-	-
Write-offs/ Sale of restructured accounts during the year ended 31 March 2016 ^{3,4}	No. of borrowers	-	(2)	(2)	-	(4)	-	-	-	-	-
	Amount Outstanding – (a) Restructured facility	-	(135.44)	(65.30)	-	(200.74)	-	-	-	-	-
	b)Other Facility	-	(48.79)	(6.39)	-	(55.18)	-	-	-	-	-
	Provision thereon	-	(0.27)	(4.70)	-	(4.97)	-	-	-	-	-
Restructured accounts as at 31 March 2016(closing figures) ⁵	No. of borrowers	6	5	1	1	13	-	-	-	-	-
	Amount Outstanding – (a) Restructured facility	285.16	145.66	40.06	3.75	474.63	-	-	-	-	-
	b)Other Facility	2.83	1.65	10.00	3.78	18.26	-	-	-	-	-
	Provision thereon	44.98	1.20	-	-	46.18	-	-	-	-	-

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(₹ in Crore)

Type of Restructuring		Others					Total				
Asset Classification		Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total
Restructured accounts as at 1 April 2015 (Opening Balance)	No. of borrowers	264	34	84	86	468	277	35	87	86	485
	Amount Outstanding – (a) Restructured facility	1,279.23	29.49	39.79	1.67	1,350.18	1,749.08	55.58	145.14	1.67	1,951.47
	b) Other Facility	1,062.73	5.40	14.31	-	1,082.44	1,136.84	23.11	35.96	-	1,195.91
	Provision thereon	16.01	1.46	0.38	0.09	17.94	22.97	1.72	5.09	0.09	29.87
Movement in balance for accounts appearing under opening balance ¹	No. of borrowers	12	(7)	(15)	(13)	(23)	15	(7)	(15)	(13)	(20)
	Amount Outstanding – (a) Restructured facility	(355.20)	(0.70)	(2.05)	(0.24)	(358.19)	(218.72)	(0.70)	(2.04)	(0.24)	(221.70)
	b) Other Facility	(554.12)	0.08	(0.07)	-	(554.11)	(583.89)	0.08	(5.33)	-	(589.14)
	Provision thereon	56.46	(1.40)	(0.13)	(0.02)	54.91	95.68	(1.39)	(0.14)	(0.02)	94.13
Fresh Restructuring during the year ended 31 March 2016 ²	No. of borrowers	30	-	-	-	30	30	-	-	-	30
	Amount Outstanding – (a) Restructured facility	77.84	-	-	-	77.84	77.84	-	-	-	77.84
	b) Other Facility	14.39	-	-	-	14.39	14.39	-	-	-	14.39
	Provision thereon	4.64	-	-	-	4.64	4.64	-	-	-	4.64
Upgradation to restructured standard category during the year ended 31 March 2016	No. of borrowers	14	(7)	(4)	(3)	-	14	(7)	(4)	(3)	-
	Amount Outstanding – (a) Restructured facility	0.72	(0.40)	(0.25)	(0.07)	-	0.72	(0.40)	(0.25)	(0.07)	-
	b) Other Facility	-	-	-	-	-	-	-	-	-	-
	Provision thereon	-	-	-	-	-	-	-	-	-	-
Restructured Standard Advances which cease to attract higher provisioning and/or additional risk weight at the end of 31 March 2016	No. of borrowers	(218)				(218)	(221)				(221)
	Amount Outstanding – (a) Restructured facility	(215.56)				(215.56)	(277.97)				(277.97)
	b) Other Facility	(41.38)				(41.38)	(46.38)				(46.38)
	Provision thereon	-				-	-				-
Downgradation of restructured accounts during the year ended 31 March 2016	No. of borrowers	(82)	36	15	31	-	(89)	42	15	32	-
	Amount Outstanding – (a) Restructured facility	(269.11)	189.83	78.32	0.96	-	(527.87)	444.84	78.32	4.71	-
	b) Other Facility	(234.28)	228.85	5.41	0.02	-	(270.79)	261.58	5.41	3.80	-
	Provision thereon	(7.09)	7.01	0.04	0.04	-	(8.29)	8.21	0.04	0.04	-
Write-offs/ Sale of restructured accounts during the year ended 31 March 2016 ^{3,4}	No. of borrowers	-	(1)	(6)	-	(7)	-	(3)	(8)	-	(11)
	Amount Outstanding – (a) Restructured facility	-	(113.84)	(21.29)	-	(135.13)	-	(249.28)	(86.59)	-	(335.87)
	b) Other Facility	-	(40.95)	(11.32)	-	(52.27)	-	(89.74)	(17.71)	-	(107.45)
	Provision thereon	-	(1.82)	(0.11)	-	(1.93)	-	(2.09)	(4.81)	-	(6.90)
Restructured accounts as at 31 March 2016(closing figures) ⁵	No. of borrowers	20	55	74	101	250	26	60	75	102	263
	Amount Outstanding – (a) Restructured facility	517.92	104.38	94.52	2.32	719.14	803.08	250.04	134.58	6.07	1,193.77
	b) Other Facility	247.34	193.38	8.33	0.02	449.07	250.17	195.03	18.33	3.80	467.33
	Provision thereon	70.02	5.25	0.18	0.11	75.56	115.00	6.45	0.18	0.11	121.74

1 Includes accounts closed during the year on account of payment of outstanding facilities by the borrower and accounts which were not attracting higher provisioning and/or additional risk weight at the beginning of the Financial Year

2 Amount reported here represents outstanding as on 31 March, 2016

3 Amount outstanding under restructuring facilities is outstanding balance as on 31-03-2015

4 Includes sale of restructured accounts as follows:

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(₹ in Crore)

	Under CDR Mechanism					Others				
	Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total
No. of borrowers	-	1	1	-	2	-	1	-	-	1
Amount Outstanding (a)Restructured facility @	-	26.09	35.81	-	61.90	-	113.84	-	-	113.84
b)Other Facility @	-	17.71	4.59	-	22.30	-	40.95	-	-	40.95
Provision thereon @	-	0.27	-	-	0.27	-	1.82	-	-	1.82

@ Represents balance as on 31-03-2015

5 Other Facility include investments in Bonds/ Debentures amounting to ₹195.62 Crore

6 There are no SME cases which have been restructured during the year ended 31 March, 2016

1.4.6 B)Additional Disclosures with relation to Certain Restructuring Schemes:

1. Disclosures on Flexible Structuring of Existing Loans

(₹ in Crore)

Period	No. of borrowers taken up for flexible structuring	Amount of Loans taken up for flexible structuring		Exposure weighted average duration of loans taken up for flexible structuring*	
		Classified as Standard	Classified as NPA	Before applying flexible structuring	After applying flexible structuring
For the year ended March 31,2016	NIL	NIL	NIL	NIL	NIL
For the year ended March 31,2017	2	91.04	NA	9.33 Years	15.36 Years

2. Disclosures on Strategic Debt Restructuring Scheme (accounts which are currently under the stand still period)

(₹ in Crore)

No. of accounts where SDR has been invoked	Gross amount outstanding as on the reporting date		Gross amount outstanding as on the reporting date with respect to accounts where conversion of debt to equity is pending		Gross amount outstanding as on the reporting date with respect to accounts where conversion of debt to equity has taken place	
	Classified as Standard	Classified as NPA	Classified as Standard	Classified as NPA	Classified as Standard	Classified as NPA
3	113.43	-	51.9	-	61.53	-

3. Disclosures on Change in Ownership outside SDR Scheme (accounts which are currently under the stand-still period)

(₹ in Crore)

No. of accounts where banks have decided to effect change in ownership	Amount outstanding as on the reporting date		Amount outstanding as on the reporting date with respect to accounts where conversion of debt to equity/invocation of pledge of equity shares is pending		Amount outstanding as on the reporting date with respect to accounts where conversion of debt to equity/invocation of pledge of equity shares has taken place		Amount outstanding as on the reporting date with respect to accounts where change in ownership is envisaged by issuance of fresh shares or sale of promoters equity	
	Classified as Standard	Classified as NPA	Classified as Standard	Classified as NPA	Classified as Standard	Classified as NPA	Classified as Standard	Classified as NPA
NA	NA	NA	NA	NA	NA	NA	NA	NA

4. Disclosures on Change in Ownership of Projects under Implementation (accounts which are currently under the stand-still period)

(₹ in Crore)

No. of accounts where banks have decided to effect change in ownership	Amount outstanding as on the reporting date		
	Classified as Standard	Classified as standard restructured	Classified as NPA
1	31.66	NA	NA

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SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2017 (CONTD...)
5. Disclosures on the Scheme for Sustainable Structuring of Stressed Assets (S4A) as on March 31, 2017:

(₹ in Crore)

No. of accounts where S4A has been applied	Aggregate Amount outstanding	Amount outstanding		Provision Held
		In Part A	In Part B	
Classified as Standard	121.96	63.46	58.50	23.29
Classified as NPA	-	-	-	-

1.4.7 A) Details of financial assets sold to Securitisation / Reconstruction companies for Asset Reconstruction:

(₹ in Crore)

Particulars	31 March 2017		31 March 2016	
	Standard	NPA#	Standard	NPA
a) No of accounts	1	79	2	55
b) Aggregate value (net of provision) of accounts sold to SC/RC	0.53	203.63	51.10	343.46
c) Aggregate consideration	0.53	242.42	51.10	221.32
d) Additional consideration realised in respect of accounts transferred in earlier years	-	-	-	-
e) Aggregate gain/(loss) over net book value	-	38.79	-	(122.14)*

including written off assets

* - During the year ended March 31, 2016, the Bank had assigned certain Non-performing financial assets to Asset Reconstruction Companies. In terms of RBI Master Circular DBR.No.BP.BC.2/21.04.048/2015-16 on Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances dated July 1, 2015, the shortfall arrived at by deducting sale consideration from the Net Book value of the financial assets, amounting to ₹ 122.14 Crore is amortised over a period of two years. Accordingly, the bank has charged to the profit and loss account an amount of ₹ 86.73 Crores for the year ended March 31, 2017 (Previous Year ₹ 35.41 Crores) and there is no unamortised balance carried forward as on March 31, 2017.

B) Details of Investments held as Security Receipts received by sale of NPA to Securitisation/Reconstruction Companies as at 31 March, 2017 and 31 March, 2016 are as follows:

(₹ in Crore)

Particulars	Backed by NPAs sold by the bank as underlying		Backed by NPAs sold by other banks/ financial institutions/non-banking financial companies as underlying		Total	
	As at 31 March, 2017	As at 31 March, 2016	As at 31 March, 2017	As at 31 March, 2016	As at 31 March, 2017	As at 31 March, 2016
Book value of investments in security receipts	705.94	563.23	-	-	705.94	563.23

Note: In addition to above, bank holds security receipts of ₹ 76.55 Crore (Previous year: ₹ 76.10 Crore) which are backed by standard assets sold by the bank.

C) Details of ageing of Investments held as Security Receipts as at March 31, 2017 are as follows:

(₹ in Crore)

Particulars		SRs issued within past 5 years	SRs issued more than 5 years ago but within past 8 years	SRs issued more than 8 years ago
(i)	Book value of SRs backed by NPAs sold by the bank as underlying	696.71	9.23	0.00
	Provision held against (i)	29.17	6.11	0.00
(ii)	Book value of SRs backed by NPAs sold by other banks / financial institutions / non-banking financial companies as underlying	0.00	0.00	0.00
	Provision held against (ii)	0.00	0.00	0.00
Gross Book value		696.71	9.23	0.00
Total provision held against above		29.17	6.11	0.00
Net Book Value		667.54	3.12	0.00

Note: In addition to above, bank holds security receipts of ₹ 76.55 Crore which are backed by standard assets sold by the bank, which is issued within past 5 years. No provision is held against security receipts backed by standard assets sold by the bank.

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(₹ in Crore)

Particulars	31st March 2017	31st March 2016
1. (a) No. of accounts purchased during the year	NIL	NIL
(b) Aggregate outstanding		
2. (a) Of these, number of accounts restructured during the year	NIL	NIL
(b) Aggregate outstanding		

B. Details of non-performing financial assets sold:

(₹ in Crore)

Particulars	31st March 2017	31st March 2016
1.No of Accounts sold	NIL	NIL
2. Aggregate outstanding		
3.Aggregate consideration received		

1.4.9 Movement of Provision on Standard Assets

(₹ in Crore)

Particulars	2016-17	2015-16
(a) Opening Balance	316.43	286.93
(b) Addition/Adjustments during the year	78.50	29.50
(c) Deduction during the year	-	-
(d) Closing Balance *	394.93	316.43

* Includes Provision held towards Unhedged Foreign Currency Exposure of Customers amounting ₹ 5.27 Crore (Previous Year: ₹ 10.05 Crore)

1.5 The Key business ratios and other information:

Particulars	As at 31st March 2017	As at 31st March 2016
(i) Interest Income as a percentage to Working Funds* (%)	8.77	9.21
(ii) Non-interest income as a percentage to Working Funds* (%)	1.09	0.94
(iii) Operating Profit as a percentage to Working Funds* (%)	1.95	1.69
(iv) Return on Assets [Based on Average Working Fund] *(%)	0.84	0.57
(v) Business (Deposits less inter-bank deposits plus advances) per employee (₹ in Crore)**	14.49	12.03
(vi) Profit per employee (₹ in Crore)**	0.07	0.04

* Working Funds represent average of total assets as reported to RBI in Form X under Section 27 of the Banking Regulation Act, 1949 during the year.

** Productivity ratios are based on average employee numbers for the year.

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1.6. Asset Liability Management

A maturity pattern of certain items of assets and liabilities at 31 March, 2017 and 31 March, 2016 is set out below:

Year ended 31 March, 2017

(₹ in Crore)

Maturity Pattern	Deposits	Advances	Investments	Borrowings	Foreign Currency Assets	Foreign Currency Liabilities
Day 1	465.63	918.84	4,031.87	48.43	463.04	150.55
2 -7 days	1,924.07	1,562.12	264.59	999.77	835.39	11.59
8-14 days	742.33	565.09	89.56	100	146.82	10.43
15-30 days*	2,480.48	1,563.44	1,243.76	71.79	114.47	100.33
31 days to 2 months*	3,465.51	2,721.07	259.08	160.57	227.63	227.76
More than 2 months and up to 3 months*	5,920.92	3,172.72	815.91	300.06	264.08	217.59
Over 3months and upto 6 months	7,973.46	6,073.30	1,611.33	706.78	681.04	352.24
Over 6 months and upto 1 Year	15,969.63	8,458.39	2,362.81	636.85	768.2	537.54
Over 1 Year and upto 3 Years	37,958.31	30,639.66	4,096.68	1,859.78	341.9	943.72
Over 3 Years and upto 5 Years	1,416.34	8,465.57	1,416.26	1,013.29	363.95	960.52
Over 5 Years	19,347.88	9,196.07	12,004.23	-	469.39	-
Total	97,664.56	73,336.27	28,196.08	5,897.32	4,675.91	3,512.27

*The bucketing structure has been revised based on the RBI guidelines vide DBR.BP.BC.No.86/21.04.098/2015-16dated March 23, 2016.

Year ended 31 March, 2016

(₹ in Crore)

Maturity Pattern	Deposits	Advances	Investments	Borrowings	Foreign Currency Assets	Foreign Currency Liabilities
Day 1	393.88	890.51	-	299.79	211.77	555.07
2 -7 days	798.44	1,123.87	4,280.36	3076.63	1,099.85	15.94
8-14 days	747.78	1,223.87	1,187.14	728.00	6.72	11.68
15-28 days	1,608.96	506.28	338.60	-	40.52	20.63
29 days to 3 months	5,451.07	3,114.63	1,374.29	86.85	320.01	119.31
Over 3months and upto 6 months	5,609.57	5,032.02	1,311.73	256.11	847.54	186.52
Over 6 months and upto 1 Year	15,635.80	7,301.15	1,011.78	402.44	344.40	439.00
Over 1 Year and upto 3Years	31,273.85	26,752.36	2,980.65	259.86	82.25	831.60
Over 3 Years and upto 5 Years	1,064.70	6,302.60	2,207.36	4.89	139.53	284.80
Over 5 Years	16,587.66	5,842.86	10,463.58	-	22.71	0.53
Total	79,171.71	58,090.15	25,155.49	5,114.57	3,115.30	2,465.08

Note: Classification of assets and liabilities under the different maturity buckets is based on the same estimates and assumptions as used by the Bank for compiling the return submitted to the RBI, which has been relied upon by the auditors. Maturity profile of foreign currency assets and liabilities excludes forward exchange contracts and off balance sheet items.

THE FEDERAL BANK LIMITED**SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2017 (CONTD...)****1.7. Exposures****1.7.1 Exposure to Real Estate Sector**

(₹ in Crore)

Category	31 March, 2017	31 March, 2016
a) Direct Exposure:		
i) Residential Mortgages:- Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented; (of which individual housing loans eligible for inclusion in Priority sector advances)	10,233.57 (3,005.40)	7,876.22 (3,166.43)
ii) Commercial Real Estate:- Lending secured by mortgages on commercial real estates (office buildings, retail space, multi-purpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non-fund based (NFB) limits;	4,069.89	1,738.94
(iii) Investments in Mortgage Backed Securities (MBS) and other securitised exposures –		
a. Residential	Nil	Nil
b. Commercial Real Estate	Nil	Nil
b) Indirect Exposure:		
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	3,943.35	3,126.82
Total Exposure to Real Estate sector	18,246.81	12,741.98

1.7.2 Exposure to Capital Market

(₹ in Crore)

Category	31 March, 2017	31 March, 2016
(i) Direct investment in equity shares, convertible bonds, convertible debentures and units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt	220.60	163.70
(ii) Advances against shares/bonds/debentures or other securities or on clean basis to individuals for investment in shares (including IPOs/ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds	0.01	0.09
(iii) Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security	162.28	0.15
(iv) Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares/convertible bonds/convertible debentures/units of equity oriented mutual funds does not fully cover the advances	-	-
(v) Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers	40.89	18.84
(vi) Loans sanctioned to corporates against the security of shares / bonds/debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources	-	-
(vii) Bridge loans to companies against expected equity flows/issues	-	-
(viii) Underwriting commitments taken up by the banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds	-	-
(ix) Financing to stockbrokers for margin trading	-	-
(x) All exposures to Venture Capital Funds (both registered and unregistered)	22.71	38.12
Total Exposure to Capital Market	446.49	220.90

1.7.3 Risk Category wise Country Exposure

The net funded exposure of the Bank in respect of foreign exchange transactions with each country is within 1% of the total assets of the Bank and hence no provision is required to be made in respect of country risk as per the RBI guidelines:

(₹ in Crore)

Risk Category*	Exposure (net) as at 31 March 2017	Provision held as at 31 March 2017	Exposure (net) as at 31 March 2016	Provision held as at 31 March 2016
Insignificant	1,011.35	-	878.63	-
Low	908.17	-	636.40	-
Moderate	18.84	-	47.95	-
High	13.39	-	4.17	-
Very High	0.20	-	1.06	-

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(₹ in Crore)

Risk Category*	Exposure (net) as at 31 March 2017	Provision held as at 31 March 2017	Exposure (net) as at 31 March 2016	Provision held as at 31 March 2016
Restricted	0.15	-	-	-
Off-credit	-	-	-	-
Total	1,952.10	-	1,568.21	-

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

1.7.4. During the year ended 31 March, 2017 and 31 March, 2016, the Bank's credit exposure to single borrower and group borrowers was within the prudential exposure limits prescribed by RBI.

1.7.5 During the year ended 31 March, 2017 and 31 March, 2016 there are no unsecured advances for which intangible securities such as charge over the rights, licences, authority etc. has been taken as collateral by the Bank.

1.8. Details of Penalty imposed by RBI

(₹ in Lakhs)

Particulars	2016-17	2015-16
Penalty imposed on currency chests#	0.11	0.16

Penalty was imposed by RBI:

(a) As per the RBICircular DCM(FNVD) No.776/16.01.15/2015-16 dated August 26,2015 and

(b) Fake Indian Currency Note (FICN) detected in the soiled note remittance.

2. Disclosure requirements as per Accounting Standards where RBI has issued guidelines in respect of disclosure items for 'Notes to Accounts'

2.1. Employee Benefits (AS 15)

a) Defined Contribution Plan

Provident Fund

Employees, who have not opted for pension plan are eligible to get benefits from provident fund, which is a defined contribution plan. Aggregate contributions along with interest thereon are paid on retirement, death, incapacitation or termination of employment. Both the employee and the Bank contribute a specified percentage of the salary to the Federal Bank Employees 'Provident Fund'. The Bank has no obligation other than the monthly contribution.

The Bank recognised ₹ 0.47Crore (Previous Year: ₹ 0.79 Crore) for provident fund contribution in the Profit and Loss Account.

New Pension Scheme

As per the industry level settlement dated 27th April, 2010, employees who joined the services of the Bank on or after 1st April, 2010 are not eligible for the existing pension scheme whereas they will be eligible for Defined Contributory PensionScheme (DCPS) in line with the New Pension Scheme introduced for employees of Central Government. Employee shall contribute 10% of their Basic Pay and Dearness Allowance towards DCPS and the Bank will also make a matching contribution. There is no separate Provident Fund for employees joining on or after 01/04/2010.

The Bank recognized ₹ 21.64 Crore (Previous year: ₹18.95 Crore) for DCPS contribution in the Profit and Loss Account

b) Defined benefit plan

Gratuity

The Bank provides for Gratuity, a defined benefit retirement plan (the "Gratuity Plan") covering the eligible employees. The Gratuity Plan

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provides a lump sum payment to vested employees on retirement, death, incapacitation or termination of employment, of an amount based on the respective employees' salary and the tenure of employment. Vesting occurs upon completion of five years of service as per Payment of Gratuity Act, 1972 and its amendment with effect from 24th May, 2010 or as per the provisions of the Federal Bank Employees' Gratuity Trust Fund Rules / Bi-partite Award provisions. Liabilities with regard to the Gratuity Plan are determined by Actuarial valuation as on the Balance Sheet date, based upon which, the Bank contributes all the ascertained liabilities to the Federal Bank Employees' Gratuity Trust Fund (the "Trust"). Trustees administer contributions made to the Trust and contributions are invested in specific investments as permitted by law.

Superannuation / Pension

The Bank provides for monthly pension, a defined benefit retirement plan (the "pension plan") covering eligible employees. The pension plan provides a monthly pension after retirement of the employees till death and to the family after the death of the pensioner. The monthly pension is based on the respective employees' salary and the tenure of employment. Vesting occurs upon completion of ten years of service. The Bank pays the monthly pension by purchasing annuities from Life Insurance Corporation of India (LIC). Liabilities with regard to the pension plan are determined by actuarial valuation as on the Balance Sheet date, based upon which, the Bank contributes all the ascertained liabilities to the Federal Bank (Employees') Pension Fund (the "Trust"). Trustees administer contributions made to the Trust and contributions are invested in specific investments as permitted by law.

The following table as furnished by Actuary sets out the funded status of gratuity / pension plan and the amount recognized in the Bank's financial statements as at March 31, 2017.

i) Change in benefit obligations:

(₹ in Crore)

Particulars	Gratuity Plan		Pension Plan	
	31 March, 2017	31 March, 2016	31 March, 2017	31 March, 2016
Projected benefit obligation, beginning of the year	246.09	209.34	637.50	587.48
Service Cost	15.66	13.82	79.26	57.70
Interest cost	17.14	15.29	41.42	40.17
Actuarial (gain)/ loss	16.64	44.07	149.62	122.99
Benefits paid	(35.05)	(36.43)	(170.42)	(170.84)
Projected benefit obligation, end of the year	260.48	246.09	737.38	637.50

ii) Change in plan assets:

(₹ in Crore)

Particulars	Gratuity Plan		Pension Plan	
	31 March, 2017	31 March, 2016	31 March, 2017	31 March, 2016
Plan assets at beginning of the year at fair value	225.66	223.52	578.27	544.40
Expected return on plan assets	19.84	18.55	48.57	47.58
Actuarial gain/(loss)	0.69	(0.65)	4.69	(0.58)
Employer's Contributions	50.40	20.67	285.22	157.71
Benefits paid	(35.05)	(36.43)	(170.42)	(170.84)
Plan assets at end of the year, at fair value	261.54	225.66	746.33	578.27

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SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2017 (CONTD...)
iii) Reconciliation of present value of the obligation and the fair value of the plan assets:

(₹ in Crore)

Particulars	Gratuity Plan		Pension Plan	
	31 March, 2017	31 March, 2016	31 March, 2017	31 March, 2016
Fair value of plan assets at the end of the year	261.54	225.66	746.33	578.27
Present value of the defined benefit obligations at the end of the year	260.48	246.09	737.38	637.50
Liability/ (Asset) recognized in the Balance Sheet	(1.06)	20.43	(8.95)	59.23

iv) Gratuity/pension cost for the year ended 31st March, 2017

(₹ in Crore)

Particulars	Gratuity Plan		Pension Plan	
	31 March, 2017	31 March, 2016	31 March, 2017	31 March, 2016
Service cost	15.66	13.82	79.26	57.70
Interest cost	17.14	15.29	41.42	40.17
Expected return on plan assets	(19.84)	(18.55)	(48.57)	(47.58)
Actuarial (gain)/loss	15.95	44.72	144.93	123.57
Employee Cost	28.92	55.28	217.04	173.86
Amortisation Cost	-	-	-	-
Net cost Debit to Profit and Loss account	28.92	55.28	217.04	173.86
Actual return on plan assets	20.52	17.90	53.26	47.00

v) Investment details of plan Assets

(₹ in Crore)

Particulars	Gratuity Plan		Pension Plan	
	31 March, 2017	31 March, 2016	31 March, 2017	31 March, 2016
Central and state Government bonds	-	7.13	-	17.82
Other debt securities	5.35	16.35	48.23	66.04
Balance in Saving bank account with the Bank	4.58	0.66	42.84	3.21
Net current assets	0.11	0.82	1.62	3.18
Balance with LIC#	251.50	200.70	653.64	488.02
Total	261.54	225.66	746.33	578.27

In the absence of detailed information regarding plan assets which is funded with Life Insurance Corporation of India, the composition of each major category of plan assets, the percentage or amount for each category to the fair value of plan assets has not been disclosed.

vi) Experience adjustments
i) Gratuity Plan

(₹ in Crore)

	31 March 2017	31 March 2016	31 March 2015	31 March 2014	31 March 2013	31 March 2012
Defined Benefit Obligations	260.48	246.09	209.34	201.26	240.13	225.25
Plan Assets	261.54	225.66	223.52	230.83	221.67	198.87
Surplus/(Deficit)	1.06	(20.43)	14.18	29.57	(18.46)	(26.38)
Experience adjustments on Plan Liabilities [Gain / (Loss)]	2.18	(46.00)	(6.31)	(5.74)	17.02	0.03
Experience Adjustments on Plan Assets [Gain / (Loss)]	(0.42)	(1.97)	1.19	1.76	22.33	0.64

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(₹ in Crore)

	31 March 2017	31 March 2016	31 March 2015	31 March 2014	31 March 2013	31 March 2012
Defined Benefit Obligations	737.38	637.50	587.48	531.78	584.12	598.76
Plan Assets	746.33	578.27	544.40	416.25	444.17	422.62
Surplus/ [Deficit]	8.95	(59.23)	(43.08)	(115.53)	(139.95)	(176.14)
Experience adjustments on Plan Liabilities [Gain / (Loss)]	93.67	(142.49)	(79.75)	(8.18)	(1.22)	450.11
Experience Adjustments on Plan Assets [Gain / (Loss)]	6.66	0.18	2.19	3.03	1.38	0.96

vii) Assumptions

Particulars	Gratuity Plan		Pension Plan	
	31 March, 2017	31 March, 2016	31 March, 2017	31 March, 2016
Discount rate	7.50%	8.00%	7.50%	8.00%
Annuity rate per Rupee	-	-	131.72338	126.18297
Salary escalation rate	5.00%	5.00%	5.00%	5.00%
Estimated rate of return on plan assets	8.79%	8.30%	8.40%	8.74%
Attrition Rate	3.00%	3.00%	3.00%	3.00%
Mortality Table	IALM 2006-08 Ultimate	IALM 2006-08 Ultimate	IALM 2006-08 Ultimate	IALM 2006-08 Ultimate

The estimates of future salary increases considered in actuarial valuation take account of inflation, seniority, promotion and other relevant factors. The expected rate of return on plan assets is based on the average long-term rate of return expected on investments of the Fund during the estimated term of the obligations.

As the contribution expected to be paid to the defined benefit plans during the annual period beginning after the balance sheet date is based on various internal / external factors, a best estimate of the contribution is not determinable.

(c) Leave Encashment/Sick Leave / Leave Travel Concession / Unavailed Casual Leave

The employees of the Bank are entitled to compensated absence. The employees can carry forward a portion of the unutilised accrued compensated absence and utilise it in future periods or receive cash compensation at retirement or termination of employment for the unutilised accrued compensated absence for a maximum of 240 days. The Bank records an obligation for compensated absences in the period in which the employee renders the services that increase this entitlement. The Bank measures the expected cost of compensated absence as the additional amount that the Bank expects to pay as a result of the unused entitlement that has accumulated at the balance sheet date based on actuarial valuations.

A sum of ₹ 24.64Crore (Previous year: ₹ 2.72 Crore) has been provided towards the above liabilities in accordance with AS 15 based on actuarial valuation.

The Actuarial liability of compensated absences of accumulated privilege, sick, casual leave and leave travel concession of the employees of the Bank is given below:

(₹ in Crore)

	31March 2017	31March 2016
Privilege leave	152.13	131.15
Sick leave	25.05	20.97
Leave Travel Concession	12.29	13.18
Casual Leave	1.56	1.09
Total actuarial liability	191.03	166.39
Assumptions		
Discount rate	7.50%	8.00%
Salary escalation rate	5.00%	5.00%
Attrition Rate	3.00%	3.00%

The discount rate is based on the prevailing market yields of Government of India securities as at the Balance Sheet date for the estimated term of the obligations. The estimate of future salary increases considered, takes into account the inflation, seniority, promotion, increments and other relevant factors. The above information is as certified by the actuary and relied upon by the auditors.

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2.2. Segment Reporting (AS 17)

A. Business Segments

Business of the Bank is divided into four segments viz. Treasury, Corporate or Wholesale Banking, Retail Banking and other banking operations. The principal activities of these segments and income and expenses structure are as follows:

Treasury

Treasury operations include trading and investments in Government and corporate debt instruments, equity and mutual funds, derivative trading and foreign exchange operations on proprietary account and for customers.

The income of this segment primarily consists of earnings from the investment portfolio of the bank, gains and losses on trading operations. The principal expense of the segment consists of interest expense on funds borrowed/utilized and other allocated overheads.

Corporate/Wholesale Banking

This segment provides loans and other banking services to Corporate and other clients where value of individual exposure to the Clients exceeds ₹ 5 Crore as defined by RBI. Revenue of this segment consists of interest and fees earned on loans to such customers and charges and fees earned from other banking services. Expenses of this segment primarily consist of interest expense on funds utilized and allocated overheads

Retail banking

Retail banking constitutes lending and other banking services to individuals/small business customers, other than corporate/wholesale banking customers, identified on the basis of RBI guidelines.

Revenue of this segment consists of interest earned on loans made to such customers and charges /fees carried from other banking services to them. The principal expenses of the segment consist of interest expenses on funds borrowed and other expenses.

Other Banking Operations

This segment includes parabanking activities like third party product distribution and otherbanking transactions, not covered under any of the above segments. The income from such services and associated costs are disclosed in this segment.

The following table sets forth, for the periods indicated, the business segment results:

As on 31 March 2017:

(₹ in Crore)

Business Segments	Treasury	Corporate/Whole sale Banking	Retail Banking	Other Banking Operations	Total
Revenue	2,496.34	3,006.71	4,103.50	152.65	9,759.20
Result (net of provisions)	395.14	196.41	687.99	56.03	1,335.57
Unallocated expense					(29.07)
Operating profit (PBT)					1,306.50
Income taxes					475.71
Extraordinary profit/loss					-
Net Profit					830.79
OTHER INFORMATION					
Segment Assets	39,000.28	31,384.61	42,417.22	18.54	1,12,820.65
Unallocated assets					2,156.28
Total assets					1,14,976.93
Segment liabilities	36,188.65	29,501.51	39,926.25	-	1,05,616.41
Unallocated liabilities					418.14
Total liabilities					1,06,034.55

THE FEDERAL BANK LIMITED**SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2017 (CONTD...)**

As on 31 March 2016

(₹ in Crore)

Business Segments	Treasury	Corporate/Whole sale Banking	Retail Banking	Other Banking Operations	Total
Revenue	2,281.93	2,360.94	3,809.64	103.84	8,556.35
Result (net of provisions)	158.51	18.14	494.59	73.85	745.09
Unallocated expense					(25.44)
Operating profit (PBT)					719.65
Income taxes					(244.00)
Extraordinary profit/loss					-
Net Profit					475.65
OTHER INFORMATION					
Segment Assets	33,555.32	24,836.67	33,710.86	26.56	92,129.41
Unallocated assets					2,451.96
Total assets					94,581.37
Segment liabilities	30,886.09	23,376.84	31,788.18	-	86,051.11
Unallocated liabilities					439.04
Total liabilities					86,490.15

Geographical Segment Information

The Business operations of the Bank are largely concentrated in India and for purpose of Segmental reporting, the bank considered to operate only in domestic segment, though the bank has its operation in International Finance Service Centre (IFSC) Banking Unit in Gujarat International Finance Tec-city (GIFT). The business conducted from the same is considered as a part of Indian operations.

Segment information is provided as per the MIS available for internal reporting purposes, which include certain estimates/ assumptions. The methodology adopted in compiling and reporting the above information has been relied upon by the auditors.

2.3. Related Party Disclosures (AS 18)**a) Details of Related Parties:**

Name of the Party	Nature of Relationship
IDBI Federal Life Insurance Company Limited	Associate
FedBank Financial Services Limited	Subsidiary
Sri. Shyam Srinivasan, Managing Director & CEO	Key Management Personnel
Sri. Ashutosh Khajuria, Executive Director & CFO	Key Management Personnel
Sri Ganesh Sankaran, Executive Director (From 04-07-2016)	Key Management Personnel
FedBank Hormis Memorial Foundation	Entity in which KMPs can exercise significant influence

b) Significant transactions with related parties:

(₹ in Crore)

Particulars	Key Management Personnel #	
	31 March 2017	31 March 2016
i) Remuneration		
Sri. Shyam Srinivasan	1.14	1.12
Sri. Ashutosh Khajuria	0.81	1.02
Sri. Abraham Chacko (Upto 30-04-2015)	-	0.72
Sri Ganesh Sankaran, Executive Director (From 04-07-2016)	0.84	-
ii) Dividend Paid	0.02	0.02

THE FEDERAL BANK LIMITED
SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2017 (CONTD...)

The normal transactions of the Bank with the above persons as constituents are not reckoned for the purpose of disclosure.

No stock options were granted to MD &CEO, Executive Director & CFO Sri. Ashutosh Khajuria after becoming Executive Director during FY 2016-17.

Sri. Ganesh Sankaran, Executive Director was granted 3,00,000 options during FY 2016-17. (Previous Year: Nil)

Note: In accordance with RBI guidelines, details pertaining to the related party transactions, other than transaction with KMPs, have not been provided as there is only one related party in each of the above categories.

2.4. Deferred Tax Assets / Liability (AS 22)

The major components of deferred tax assets and deferred tax liabilities are as under:

(₹ in Crore)

	31 March 2017	31 March 2016
Deferred Tax Liability		
Tax effect of items constituting deferred tax liability:		
(i) Interest accrued but not due	-	145.66
(ii) Depreciation on Investments	101.80	19.52
(iii) Depreciation on Fixed assets	12.66	-
(iv) Special Reserve under Section 36(1)(viii) of the Income Tax Act, 1961	107.28	91.35
v) Others	10.23	-
Total (A)	231.97	256.53
Deferred Tax Asset		
Tax effect of items constituting deferred tax assets:		
(i) Interest/premium paid on purchase of securities	92.70	90.27
(ii) Provision for Standard Assets	136.68	109.45
(iii) Depreciation on Fixed assets	-	1.15
(iv) Others	88.51	111.19
Total (B)	317.89	312.06
Net Deferred tax liability/ (Asset) (A-B)	(85.92)	(55.53)

Note: The above Net Deferred tax is after adjustment of ₹172.85 Crore from provisions for Income tax to Deferred tax on review and reassessment of deferred tax assets and liabilities during the year.

3. Additional Disclosures as per RBI's Master Circular on Disclosure in Financial Statements
3.1 'Provisions and Contingencies' recognised in the Profit and Loss Account include:

(₹ in Crore)

For the year ended		31 March 2017	31 March 2016
i)	Provision towards NPAs	405.12	555.32*
ii)	Provision for Depreciation in Value of Investments (Net)	24.21	16.74
iii)	Provision for Non - Performing Investments	5.35	63.42
iv)	Provision for Standard Assets	78.50	29.50
v)	Provision for Taxation	475.71#	244.00
vi)	Provision towards Present Value of sacrifice on restructuring, other contingencies etc.	105.24	39.15
Total		1,094.13	948.13

* Net of Floating Provision of ₹ 69.00 Crore withdrawn during the year vide Circular DBR.No.BP.BC.79/21.04.048/2014-15 dated March 30, 2015 issued by the Reserve Bank of India.

₹ 17.98 Crore relating to earlier years.

THE FEDERAL BANK LIMITED**SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2017 (CONTD...)****3.2 Movement in floating provision is set out below:**

(₹ in Crore)

Particulars	Standard Assets Provision		NPA Provision	
	2016-17	2015-16	2016-17	2015-16*
(a) Opening Balance	12.75	12.75	69.18	138.18
(b) Provision made during the year	Nil	Nil	Nil	Nil
(c) Provision utilised during the year*	Nil	Nil	Nil	69.00
(d) Closing Balance	12.75	12.75	69.18	69.18

* Floating provision has been utilised in accordance with RBI circulars DBOD.No.BP.95/21.04.048/2013-14 dated February 7, 2014 and DBR.No.BP. BC.79/21.04.048/2014-15 dated March 30, 2015.

3.3. Draw Down from Reserves

The Bank has drawn down ₹ 14.49 Crore from Investment Reserve Account (Previous Year ₹ 8.21 crore) in accordance with the provisions of RBI guidelines on 'Prudential Norms for Classification, Valuation and Operation of Investment Portfolio by Banks'.

3.4. A) Disclosure of customer complaints

Particulars		31 March, 2017	31 March, 2016
(a)	No. of complaints pending at the beginning of the year	42	62
(b)	No. of complaints received during the year	3115	3549
(c)	No. of complaints redressed during the year	3099	3569
(d)	No. of complaints pending at the end of the year	58	42

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

B) Disclosure of Awards passed by the Banking Ombudsman

Particulars		31 March, 2017	31 March, 2016
(a)	No. of unimplemented awards at the beginning of the year	1@	1@
(b)	No. of awards passed by the Banking Ombudsman	Nil	1
(c)	No. of awards implemented during the year	Nil	1
(d)	No. of unimplemented awards at the end of the year	1@	1@

@ Appeal rejected by Appellate Authority, case filed in High Court and stay obtained

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

3.5. Letter of Comfort

The Bank has not issued any letters of comfort (LoC) on behalf of its subsidiaries during the year ended 31st March, 2017 and 31st March, 2016.

3.6 The Provision coverage ratio of the bank as on 31 March, 2017, computed in terms of the RBI Guidelines was 72.67 % (Previous Year 72.05%).

THE FEDERAL BANK LIMITED

SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2017 (CONTD...)

3.7. Bancassurance Business

Details of income earned from bancassurance business:

(₹ in Crore)

Sl.No.	Nature of Income *	31 March 2017	31 March 2016
1	For selling life insurance policies	31.01	28.39
2	For selling non-life insurance policies	6.66	6.51
3	For selling mutual fund products	1.84	1.48
4	Others	1.53	1.31

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

3.8.1 Information on Concentration of deposits:

(₹ in Crore)

	31 March, 2017	31 March, 2016
Total Deposits of Twenty Largest depositors	4,883.62	2,318.46
Percentage of Deposits of twenty largest depositors to total deposits of the bank	5.00%	2.93%

Note: Exclude holders of certificate of deposits which are tradeable instruments.

3.8.2 Information on Concentration of advances:

(₹ in Crore)

	31 March, 2017	31 March, 2016
Total advances to Twenty Largest Borrowers	9,469.00	11,514.35
Percentage of advances to twenty largest Borrowers to total advances of the bank	10.20%	16.29%

Note: Advance is computed as per the definition of Credit Exposure in RBI Master Circular on Exposure Norms DBOD. No. Dir.BC.12/13.03.00/2015-16 dated July1, 2015.

3.8.3 Information on Concentration of exposure:

(₹ in Crore)

	31 March, 2017	31 March, 2016
Total exposures to Twenty Largest borrowers/customers	11,033.74	12,863.21
Percentage of exposures to twenty largest borrowers/customers to total exposure of the bank on borrowers/customers	11.08%	16.93%

Note: Exposure is computed as per the definition of Credit and Investment Exposure in RBI Master Circular on Exposure Norms DBOD. No. Dir.BC.12/13.03.00/2015-16 dated July1, 2015.

The bank has compiled the data for the purpose of disclosure in Note No. 3.8.1 to 3.8.3 from its internal MIS system and has been furnished by the management, which has been relied upon by the auditors.

3.8.4 Information on Concentration of NPAs:

(₹ in Crore)

	31 March, 2017	31 March, 2016
Total exposures to top four NPA accounts	249.50	266.95

THE FEDERAL BANK LIMITED**SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2017 (CONTD...)****3.9 Sector wise advances and NPA**

The details of Sector-wise Gross Advances and Gross NPAs as at March 31, 2017 and March 31, 2016 are given below:

(₹ in Crore)

Sl.No.	Sector*	31 March, 2017			31 March, 2016		
		Gross Advances	Gross NPAs	% of Gross NPAs to Gross Advances in that sector	Gross Advances	Gross NPAs	% of Gross NPAs to Gross Advances in that sector
A	Priority Sector						
1.	Agriculture and allied activities	9,746.40	278.44	2.86	8,225.24	139.31	1.69
2.	Advances to industries sector eligible as priority sector lending	2,701.70	206.78	7.65	2,346.22	168.45	7.18
	<i>Of which: Basic Metal</i>	522.50	77.83	14.90	331.61	58.75	17.72
	<i>Infrastructure</i>	301.81	6.44	2.13	210.98	28.14	13.34
3.	Services	4,330.96	233.93	5.40	4,615.89	195.55	4.24
	<i>Of which: Trade</i>	2,469.17	164.43	6.66	1,918.70	136.79	7.13
	<i>Professional Services</i>	1,163.19	58.29	5.01	863.00	23.10	2.68
4.	Personal loans	-	-	-	-	-	-
5.	Others	3,764.62	198.71	5.28	3,631.77	170.58	4.70
	Sub-total (A)	20,543.68	917.86	4.47	18,819.12	673.89	3.58
B	Non-Priority Sector						
1.	Agriculture and allied activities	-	-	-	-	-	-
2.	Industry	9,116.06	387.70	4.25	8,074.66	510.66	6.32
	<i>Of which: Basic Metal</i>	1,007.64	216.45	21.48	1,064.76	175.78	16.51
	<i>Infrastructure</i>	3,323.67	78.61	2.37	3,450.93	93.29	2.70
3.	Services	24,276.68	277.79	1.14	16,741.49	366.31	2.19
	<i>Of which: NBFCs</i>	4,850.47	-	-	3,758.05	-	-
	<i>Trade</i>	3,891.48	113.40	2.91	3,343.24	205.20	6.14
	<i>Commercial Real Estate</i>	3,330.82	16.12	0.48	1,270.01	0.33	0.03
	<i>Professional Services</i>	2,281.72	65.91	2.89	2,864.77	77.34	2.70
4.	Personal loans	67.36	3.02	4.48	52.36	2.64	5.04
5.	Others	20,086.95	140.68	0.70	15,103.01	114.27	0.76
	Sub-total (B)	53,547.05	809.19	1.51	39,971.52	993.88	2.49
	Total (A+B)	74,090.73	1,727.05	2.33	58,790.64	1,667.77	2.84

* Classification into sectors/subsectors as above has been done based on Bank's internal norms, which has been relied upon by the auditors.

THE FEDERAL BANK LIMITED
SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2017 (CONTD...)
3.10 A) Movement in gross non-performing assets

(₹ in Crore)

Particulars	31 March, 2017	31 March, 2016
Gross NPAs as at the beginning of the year	1667.77	1057.73
Additions (Fresh NPAs) during the year	1074.99	1895.41
Subtotal (A)	2742.76	2953.14
Less:		
(i) Upgradations	268.68	219.43
(ii) Recoveries (excluding recoveries made from upgraded accounts)	192.26	201.18
(iii) Technical/ Prudential Write – offs	233.31	448.48
(iv) Write –offs other than those under (iii) above	3.11	3.59
(v) Reduction by Sale of Assets to ARCs	318.35	412.69
Sub-total (B)	1015.71	1285.37
Gross NPAs as at the end of the year *(A-B)	1727.05	1667.77

* After considering technical/ Prudential Write – Offs

Closing Gross NPAs before technical/ Prudential Write – Offs is ₹ 3443.23 Crore (Previous Year ₹ 3460.18 Crore)

B) Movement in technical/prudential Written off accounts is set out below:

(₹ in Crore)

Particulars	31st March 2017	31st March 2016
Opening balance at the beginning of the year	1792.41	1378.48
Add: Technical write-offs during the year	233.31	448.48
Sub Total (A)	2025.72	1826.96
Less: Reduction due to recovery made from previously technical/prudential written-off accounts during the year	35.75	33.51
Less: Sacrifice made from previously technical/prudential written-off accounts during the year	-	1.04
Less: Reduction due to sale of NPAs to ARCs from previously technical/prudential written off accounts during the year	273.79	-
Sub Total (B)	309.54	34.55
Closing balance at the end of the year (A-B)	1716.18	1792.41

3.11. Details of Overseas Assets, NPAs and Revenue

During the year ended March 31, 2016 the Bank had commenced its operation, pursuant to RBI approval, in International Finance Service Center (IFSC) Banking Unit (IBU) in Gujarat International Finance Tec City (GIFT) and the business transaction from the same is considered as a Foreign branch for most Regulatory purpose as per para 2.2 of Annex I of RBI Circular DBR.IBD.BC 14570/23.13.004/2014-15 dated April 1, 2015. Apart from the said IBU, the bank does not have any overseas branch(s) as on 31 March, 2017 and 31 March, 2016. Details of Assets, NPAs and Revenue of IBU are given below:

(₹ in Crore)

Particulars	31 March 2017	31 March 2016
Total Assets	1485.61	293.25
Total NPAs	-	-
Total Revenue	29.69	1.20

THE FEDERAL BANK LIMITED**SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2017 (CONTD...)****3.12. Sponsored SPVs**

The Bank has not sponsored any special purpose vehicle which is required to be consolidated in the consolidated financial statements as per accounting norms as at 31 March 2017 and 31 March 2016.

3.13 Disclosures on Remuneration**i) Qualitative disclosures****a) Information relating to the composition and mandate of the Nomination, Remuneration, Compensation and Ethics Committee (or Remuneration Committee in short):**

The Remuneration Committee of the Board oversees the framing, review and implementation of the compensation policy of the Bank, on behalf of the Board. This committee works in coordination with Risk Management Committee of the Bank, in order to achieve effective alignment between risk and remuneration. As on 31 March, 2017, the remuneration committee of the Board comprises of the following Independent Directors:

- Sri.K M Chandrasekhar
- CA Nilesh Shivji Vikamsey
- Sri.Dilip Gena Sadarangani

The above committee of the Board functions with the following objectives:

- a) To review the Compensation package for the MD and CEO and Executive Directors and recommend revisions for Board approval
- b) To consider and approve issuance and allotment of ESOS shares to MD/EDs and employees of the Bank.
- c) To develop and implement an effective compensation policy, as per RBI guidelines

b) Information relating to the design and structure of remuneration processes and the key features and objectives of remuneration policy.

The compensation payable to MD & CEO, EDs and Senior Executives is divided into fixed and variable components. The fixed compensation is determined based on the industry standards, the exposure, skill sets, talent and qualification attained by the official over his/her career span etc. Approval from RBI is obtained to decide fixed compensation for MD & CEO and EDs.

The variable compensation for MD & CEO and senior executives (Non – IBA package i.e. CGM and above) are determined based on Bank's performance and Key Performance Areas (KPA) set for the official. KPAs contain targets on risk adjusted metrics such as Risk Adjusted Return on Capital (RAROC), Risk Adjusted Return on Risk Adjusted Capital (RARORAC), in addition to target on NPAs.

The objectives of the remuneration policy are four fold:

- To align compensation with prudent risk taken
- To drive sustainable performance in the Bank
- To ensure financial stability of the Bank; and
- To attract and retain talent

c) Description of the ways in which current and future risks are taken into account in the remuneration processes.

For the purpose of effectively aligning compensation structure with risk outcomes, the functionaries in the Bank are arranged under the following four categories

- MD & CEO / ED
- Senior Executives (Non IBA package)
- Senior Executives (On IBA package)
- Other members of staff (on IBA package)

THE FEDERAL BANK LIMITED

SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2017 (CONTD...)

Limit on variable pay

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

Severance pay and guaranteed bonus

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

Sign on bonus or joining bonus is limited to the first year and is paid only as Employee stock options

Hedging

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

Compensation Recovery policy

A claw back arrangement or a compensation recovery policy is provided, which will entail the Bank to recover proportionate amount of variable compensation paid to the above functionaries on account of an act or decision taken by the official which has brought forth a negative contribution to the bank at a prospective stage. The claw back arrangement would be valid for a period of three years from the date of payment of variable compensation.

Committees to mitigate risks caused by an individual decision

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

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

Integrated Risk Management Department (IRMD)

In order to effectively govern the compensation structure, IRMD would assist the Remuneration Committee of the Board to monitor, review and control various risks and balance prudent risk taking with the compensation paid out to top executives and other employees.

Compensation of risk control staff

The total fixed and variable compensation paid out to the employees of IRMD are independent of business parameters and rendering of effective support to the Remuneration Committee of the Board. The variable compensation component (Performance Linked Incentive or PLI) will be subjected to a minimum and greater proportion of compensation will be fixed in nature to ensure autonomy and independence from business goals

d) Linkage of performance during a performance measurement period with levels of remuneration.

The Bank's performance is charted based on the revenue point index / performance scorecard which takes into account various financial indicators like revenue earned, cost deployed, and profit earned, NPA position and other intangible factors like leadership and employee development. Variable pay is paid purely based on performance and is measured through Score cards for MD& CEO /EDs. The score card provides a mix of financial and non-financial, quantitative and qualitative metrics.

Compensation paid to Senior executives and other staff members on IBA package

The compensation paid to other officials that include Award staff, Officers coming under Scale I to III and Senior executives coming under Scale IV to VII is fixed based on the periodic industry level settlements with Indian Banks Association. The variable compensation paid to these functionaries is based on the Performance Linked incentive scheme which has been formulated on the basis of performance parameters set in Performance Management System

THE FEDERAL BANK LIMITED**SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2017 (CONTD...)****e) Bank's policy on deferral and vesting of variable remuneration and criteria for adjusting deferred remuneration before vesting and after vesting.****Deferred compensation and Performance Linkage**

In the event variable compensation paid to MD & CEO, ED and Senior Executives (Non-IBA) exceeds more than 50% of the fixed compensation for the year on account of high level of Bank's performance, 60% of the variable pay so entitled to the official will be deferred for payment over a period of 3 years. The amount is parked in an escrow account and the payment will be made in the ratio of 20:30:50 over a period of three years, i.e.

- 20 % of the deferred compensation will be paid in the first year
- 30% of the deferred compensation in the second year; and
- 50 % of the deferred compensation in the third year

Clawback and deferral arrangements

The provisions of clawback and deferral arrangements are applicable to the referred functionaries and all employees in the event their variable compensation exceeds 50 % of their fixed emoluments

f) Description of the different forms of variable remuneration

Bank uses an optimum mix of cash, ESOPS and variable PLI to decide the compensation of employees in all categories. The distribution of ESOPS and variable PLI are higher in top levels and is linked with their performance measurements taken from Scorecards. This is done to align the compensation of senior staff with their performance, risk and responsibility taken in higher assignments. The Officers in Scale I-III as well as Award staff come under the purview of IBA package that is as per the Industry wide settlements. Variable compensation, ESOP, is linked with seniority in these levels.

(ii) Quantitative disclosures

(₹ in Crore)

		31 March, 2017	31 March, 2016
(a)	Number of meetings held by the Remuneration Committee during the financial year and remuneration paid to its members.	7 ₹ 6,30,000	8 ₹ 7,20,000
(b)	(i) Number of employees having a variable remuneration award during the financial year.	3	4
	(ii) Number and total amount of sign-on awards made during the financial year.	Nil	Nil
	(iii) Details of guaranteed bonus, if any, paid as joining / sign on bonus	Nil	Nil
	(iv) Details of severance pay, in addition to accrued benefits, if any.	Nil	Nil
(c)	(i) Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms	Nil	Nil
	(ii) Total amount of deferred remuneration paid out in the financial year.	Nil	Nil
(d)	Breakdown of amount of remuneration awards for the financial year to show fixed and variable, deferred and non-deferred (₹ in Crore)	2.79 (Fixed) 0.00 (Variable)	3.14 (Fixed) 0.34 (Variable)
(e)	Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and / or implicit adjustments.	Nil	Nil

THE FEDERAL BANK LIMITED

SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2017 (CONTD...)

3.14 Securitisation Transactions

The Bank has not done any securitisation transactions during the year ended 31 March, 2017 and 31 March, 2016.

3.15 Details of Intra-Group Exposure

(₹ in Crore)

Sl.No.	Particulars	31March 2017	31March 2016
1	Total amount of intra-Group exposure*	691.39	758.91
2	Total amount of top-20 intra group exposure*	691.39	758.91
3	Percentage of intra group exposures to total exposure of the bank to borrowers/ customers *(%)	0.694%	0.998%
4	Details of breach of limits on intra-group exposures and regulatory action thereon, if any	NIL	NIL

* Exposure is computed as per the definition of Credit and Investment Exposure in RBI Master Circular on Exposure Norms DBR. No. Dir.BC.12/13.03.00/ 2015-16 dated July1, 2015.

3.16 Transfers to Depositor Education and Awareness Fund (DEAF)

In accordance with the guidelines issued by the RBI, the Bank transfers the amount to the credit of any account which has not been operated upon for a period of ten years or any deposit or any amount remaining unclaimed for more than ten years to the DEAF. Details of amounts transferred to DEAF are set out below:

(₹ in Crore)

Particulars	31 March, 2017	31 March, 2016
Opening balance of amounts transferred to DEAF	77.33	66.80
Add: Amounts transferred to DEAF during the year	18.18	12.65
Less: Amounts reimbursed by DEAF towards claims	2.25	2.12
Closing balance of amounts transferred to DEAF	93.26	77.33

3.17 Unhedged Foreign Currency Exposure

The Bank has in place a policy on managing credit risk arising out of unhedged foreign currency exposures of its borrowers. The objective of this policy is to maximize the hedging on foreign currency exposures of borrowers by reviewing their foreign currency exposures and encouraging them to hedge the unhedged portion. The policy framework also articulates the methodologies for ascertaining the amount of unhedged foreign currency exposures, estimating the extent of likely loss, estimating the riskiness of the unhedged position and making appropriate provisions and capital charge as per extant RBI guidelines. In line with the policy, assessment of unhedged foreign currency exposure is a part of credit appraisal while proposing limits or at the review stage. Further, the bank reviews the unhedged foreign currency exposure across its portfolio on a periodic basis. The Bank maintains incremental provisions and additional capital for the unhedged foreign currency exposures of its borrowers in line with the extant RBI guidelines. The Bank has maintained ₹ 5.27 Crore (Previous year ₹ 10.05 Crore) as provision and ₹ 2.21 Crore (Previous year ₹ 4.66 Crore) as additional capital for computation of capital adequacy Ratio on account of the unhedged foreign currency exposures of borrowers as at March 31, 2017.

THE FEDERAL BANK LIMITED**SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2017 (CONTD...)****3.18 Liquidity Coverage Ratio (LCR)****a) Quantitative Disclosure**

(₹ in Crore)

Particulars	Quarter ended March 31, 2017		Quarter ended December 31, 2016		Quarter ended September 30, 2016		Quarter ended June 30, 2016		Quarter ended March 31, 2016		
	Total Un-weighted Value	Total Weighted Value	Total Un-weighted Value	Total Weighted Value	Total Un-weighted Value	Total Weighted Value	Total Un-weighted Value	Total Weighted Value	Total Un-weighted Value (average)	Total Weighted Value (average)	
High Quality Liquid Assets											
1	Total High Quality Liquid Assets (HQLA)	15142.79		14978.85		11415.77		11222.13		10021.22	
Cash Outflows											
2	Retail deposits and deposits from small business customers, of which:	85093.52	7787.31	83883.94	7679.37	79100.53	7278.59	77647.20	6420.88	75103.22	5853.20
(i)	Stable deposits	14440.83	722.04	14180.44	709.02	12629.18	631.46	26876.75	1343.84	33142.47	1657.12
(ii)	Less stable deposits	70652.70	7065.27	69703.49	6970.35	66471.34	6647.13	50770.45	5077.04	41960.75	4196.08
3	Unsecured wholesale funding, of which:	4416.56	2113.57	5265.24	2882.58	3377.92	1747.15	2669.55	1268.49	1443.23	661.14
(i)	Operational deposits (all counterparties)	145.79	30.14	122.82	24.46	111.44	21.41	125.21	24.67	116.80	22.80
(ii)	Non-operational deposits (all counterparties)	4270.77	2083.42	5142.42	2858.12	3266.49	1725.74	2544.35	1243.82	1308.38	620.29
(iii)	Unsecured debt	-	-	-	-	-	-	-	-	18.05	18.05
4	Secured wholesale funding		0.02		67.54		27.43		0.00		-
5	Additional requirements, of which	12.64	12.03	30.60	30.60	63.89	63.89	11.66	11.66	174.30	174.30
(i)	Outflows related to derivative exposures and other collateral requirements	12.64	12.03	30.60	30.60	63.89	63.89	11.66	11.66	174.30	174.30
(ii)	Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-	-	-
(iii)	Credit and liquidity facilities	-	-	-	-	-	-	-	-	-	-
6	Other contractual funding obligations	16860.71	1849.01	15277.46	1729.55	14984.21	1844.12	14566.86	1710.04	13675.42	1305.85
7	Other contingent funding obligations	6363.76	190.91	6102.20	183.03	5825.45	174.76	5884.54	176.54	5263.29	189.38
8	TOTAL CASH OUTFLOWS		11952.85		12572.67		11135.95		9587.61		8183.87
Cash Inflows											
9	Secured lending (e.g. reverse repos)	1971.06	-	2346.58	-	293.92	-	564.09	-	48.37	-
10	Inflows from fully performing exposures	3189.16	2325.40	2400.32	1930.37	2641.63	2033.02	1845.58	1111.42	1920.03	1010.02
11	Other cash inflows	6.99	6.99	2.17	2.17	45.87	45.87	77.11	77.11	65.50	65.50
12	TOTAL CASH INFLOWS	5167.21	2332.39	4749.07	1932.54	2981.42	2078.89	2486.77	1188.53	2033.90	1075.52
13	TOTAL HQLA		15142.79		14978.85		11415.77		11222.13		10021.22
14	TOTAL NET CASH OUTFLOWS		9620.45		10640.13		9057.06		8399.08		7108.35
15	LIQUIDITY COVERAGE RATIO (%)		157.40%		140.78%		126.04%		133.61%		140.98%

Note: LCR data for the quarters April 2016 to December 2016 have been computed as the simple average of monthly observations over the quarter. For the quarter ended March 31, 2017 the same has been computed based on simple average of daily observations.

b) Qualitative Disclosure

The Bank adheres to RBI guidelines on Liquidity Coverage Ratio, Liquidity Risk Monitoring Tools and the LCR Disclosure Standards pursuant to the Basel III Framework on Liquidity Standards that are applicable to banks in India with effect from January 1, 2015. Liquidity Coverage Ratio (LCR) promotes short-term resilience of banks to potential liquidity disruptions by ensuring that they have sufficient high quality liquid assets (HQLAs) to survive an acute stress scenario lasting for 30 days. LCR is computed on a daily basis from 1st January 2017. Bank has computed the LCR of the IFSC banking Unit at GIFT City on a standalone basis as per the extant guidelines. Bank has not computed LCR separately for any foreign currency since the aggregate liabilities denominated in any foreign currency doesn't amount to 5 percent or more of the Bank's total liabilities. Bank has consistently maintained LCR above 100% during Fiscal 2017, as against the regulatory minimum of 70% (till December 2016)/ 80% (from January 2017).

THE FEDERAL BANK LIMITED

SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2017 (CONTD...)

On an average, 90% of the HQLA maintained by the Bank comprises of Level 1 assets which is the most liquid asset category. Cash in hand, excess CRR and SLR, G-Sec within mandatory SLR requirement permitted by RBI under MSF (presently 2% of NDTL) and facility to avail liquidity ratio (9% of NDTL) constitutes Level 1 HQLA. Level 2 Assets maintained by the Bank comprises of (a) marketable securities representing claims on or claims guaranteed by sovereigns, Public Sector Entities (PSEs) or multilateral development banks that are assigned a 20% risk weight under the Basel III Standardized Approach for credit risk and that are not issued by a bank/financial institution/NBFC or any of its affiliated entities and (b) Corporate bonds, not issued by a bank/financial institution/NBFC or any of its affiliated entities, which have been rated BBB- or above by an Eligible Credit Rating Agency. HQLA is also well diversified across various instruments and liquid asset types and should provide the Bank with adequate and timely liquidity.

Bank has a well-diversified funding portfolio. Retail deposits, considered as stable from a liquidity perspective is the major funding source of the Bank, indicating lower dependence of the Bank on wholesale funds.

The liquidity risk management in the Bank is guided by the ALM Policy. Asset Liability Management Committee (ALCO) is the executive level committee responsible for ALM process in the Bank. Bank's liquidity management is actively done by the Treasury department as per the directions of ALCO. Integrated Risk Management Department actively monitors the liquidity position of the Bank and apprises ALCO on a continuous basis to initiate appropriate actions to ensure that the liquidity position is well within the Risk Appetite set by the Board of Directors.

4. Other Disclosures

4.1. Earnings per Share ('EPS')

Particulars	31 March 2017	31 March 2016
Weighted average number of equity shares used in computation of basic earnings per share (in 000's)	17,20,708	17,16,993
Weighted average number of equity shares used in computation of diluted earnings per share (in 000's)	17,46,587	17,25,591
Nominal Value of share (in ₹)	2	2
Basic earnings per share (in ₹)	4.83	2.77
Diluted earnings per share (in ₹)	4.76	2.75
Earnings used in the computation of basic and diluted earnings per share (₹ in '000)	83,07,882	47,56,481

4.2 A. Issue of Bonus Shares

During the year ended March 31, 2016 the Bank had issued Bonus Shares in the Ratio of 1:1 for Shares held as on the record date of July 9, 2015. Pursuant to the above 85,79,45,206 fully paid up Equity Shares had been allotted by the bank as bonus shares and One Global Depository share (GDS) had been issued as bonus for every GDS held to the existing holders as on the record date. Consequently, as per the extant ESOS 2010 Scheme bonus options had been provided to the existing ESOS option holders and the exercise price had been adjusted accordingly. The earnings per share have been adjusted for Previous year in accordance with Accounting Standard 20, Earnings per share.

B. Subscribed and paid up capital includes:

- (i) 16,590 shares of ₹ 2/- each (Previous Year 16,590 shares of ₹ 2/- each) issued for consideration other than cash.
- (ii) 3,12,05,861 underlying equity shares of ₹ 2/- each (Previous Year 2,80,49,968 equity shares of ₹ 2/- each) held by custodian on behalf of holders of Global Depository Receipts (GDRs).
- (iii) 50,98,570 ESOS shares of ₹ 2/- per share (Previous Year 57,61,133 shares of ₹ 2/- Per share) allotted under ESOS 2010.
- (iv) 85,79,45,206 bonus shares were issued in the ratio of 1:1 during Financial Year 2015-16.

THE FEDERAL BANK LIMITED**SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2017 (CONTD...)****C. The following allotments are kept pending following orders from various courts**

- i) Allotment of 6,530 shares of ₹ 2/- each (Previous year 6,530 shares of ₹ 2/- each) pertaining to the Right issue of 1993 issued at premium of ₹ 5/- per share
- ii) 2,62,100 shares of ₹ 2/- each (Previous year 2,62,100 shares of ₹ 2/- per share) pertaining to the Rights issue of 1996 issued at a premium of ₹ 28/- per Share
- iii) 10,80,415 equity shares of ₹ 2/- each (Previous year 10,80,415 shares of ₹ 2/- per share), at a premium of ₹ 48/- per share pertaining to Rights issue of 2007

Issue of certificates/credit in demat account in respect of the following Bonus issues are kept in abeyance consequent to injunction orders from various courts.

- a) 4,09,170 shares of ₹ 2/- each (Previous year 4,09,170 shares of ₹ 2/- each) out of the Bonus issue of 2004 and
- b) 6,15,755 bonus shares of ₹ 2/- each (Previous year 6,15,755 bonus shares of ₹ 2/- each), out of the Bonus issue of 2015.

D. Employee Stock Option Scheme ("ESOS"):

- i) Shareholders of the bank had approved Employee Stock Option Scheme (ESOS) through postal ballot, the result of which was announced on December 24, 2010, enabling the Board and/or the "Compensation Committee" to grant such number of equity shares, including options, of the Bank not exceeding 5% of the aggregate number of paid up equity shares of the Bank, in line with the guidelines of SEBI. Pursuant thereto, the Compensation Committee of the bank granted the following options:

	31 March, 2017	31 March, 2016
Outstanding at the beginning of the year	7,61,87,146	8,11,24,186
Surrendered during the year	-	-
Granted during the year*	9,65,000	10,25,000
Exercised during the year	50,98,570	56,36,450
Forfeited/lapsed during the year	2,50,590	3,25,590
Outstanding at the end of the year	7,18,02,986	7,61,87,146
Options exercisable	4,76,17,696	5,27,27,176

* ESOS granted on 29th August 2016, 25th October 2016, 03rd November 2016 and 03rd November 2016 with vesting period of 1,2,3 and 4 years. Exercise period of 5 years and exercise price of ₹ 66.55 per share, ₹ 75.00 per share, ₹ 72.45 per share and ₹ 79.45 per share, respectively.

As per SEBI guidelines the accounting for ESOS can be done either under the 'Intrinsic value basis' or 'Fair value basis'. The Compensation Committee in their meeting dated 10th May, 2012 decided to adopt 'Intrinsic value method' for accounting of ESOS, in terms of the power vested on them as per the resolution of EGM dated 24 December, 2010.

The exercise price of the options granted is the same as the market price on the date prior to grant date and hence there is no intrinsic value for the options, which has to be amortized over the vesting period, other than 3,00,000 Options granted during the year at an exercise price lower than the Market price.

If "Fair Value Method" had been adopted based on "Black-Scholes pricing model" for pricing and accounting of options, net profit would be lower by ₹ 9.12 Crore (Previous Year: ₹ 19.83Crore)

The modified basic and diluted earnings per share for the year, had the Bank followed Fair Value Method of accounting for ESOS compensation cost would be ₹ 4.78 and ₹ 4.72 (Previous Year: ₹ 2.65 and ₹ 2.63) respectively.

- ii) Dividend paid on shares issued on exercise of stock option

The Bank may allot shares between the Balance Sheet date and record date for the declaration of dividend pursuant to the exercise of any employee stock options. These shares will be eligible for full dividend for the year ended 31 March 2017, if approved at the ensuing Annual General Meeting.

THE FEDERAL BANK LIMITED
SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2017 (CONTD...)

iii) Dividend (Including tax/cess thereon) appropriation of ₹ 0.02 Crore represent dividend for Financial Year 2015-16 on the shares issued under Employee Stock Options Scheme before the record date, as per shareholders' approval.

E. Proposed Dividend and Tax on Proposed Dividend

In terms of revised Accounting Standard (AS) 4 "Contingencies and Events occurring after the Balance sheet date" as notified by the Ministry of Corporate affairs through amendments to Companies (Accounting Standards) Amendment Rules, 2016, the Bank has not appropriated proposed dividend (including tax) aggregating to ₹ 186.75 Crore from the statement of Profit and loss account for the year ended March 31, 2017, also the same has not been shown as an Other Liabilities.

4.3. Fixed Assets -

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

(₹ in Crore)

Particulars	31 March, 2017	31 March, 2016
Gross Block		
At the beginning of the year	143.04	93.62
Additions during the year	33.45	49.42
Deductions / Adjustments during the year	2.48	-
Closing Balance	174.01	143.04
Depreciation / Amortisation		
At the beginning of the year	93.48	71.77
Charge for the year	27.75	21.71
Deductions / Adjustments during the year	0.96	-
Depreciation to date	120.27	93.48
Net Block	53.74	49.56

B) Revaluation of Fixed Assets

During the year 1995-96, the appreciation of ₹9.65 Crore in the value of land and buildings consequent upon revaluation by approved valuer was credited to Revaluation Reserve. There has been no revaluation of assets during this year.

4.4. Operating Leases:

Lease payments for assets taken on operating lease are recognised as an expense in the Profit and Loss Account as per the lease terms. During the year an amount of ₹ 131.49 Crore (Previous year: ₹ 127.58 Crore) was charged to Profit and loss account.

4.5 Provisions and Contingencies
a) Movement in provision for frauds included under other liabilities:

(₹ in Crore)

	31 March 2017	31 March 2016
Opening balance at the beginning of the year	5.82	6.64
Additions during the year	0.72	0.42
Reductions on account of payments during the year	-	-
Reductions on account of reversals during the year	2.49	1.24
Balance at the end of the year	4.05	5.82

THE FEDERAL BANK LIMITED**SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2017 (CONTD...)****b) Movement in provision for debit card reward points:**

(₹ in Crore)

	31 March 2017	31 March 2016
Opening provision at the beginning of the year	1.92	2.25
Provision made during the year	4.02	0.77
Reductions during the year	1.86	1.10
Closing provision at the end of the year *	4.08	1.92

* The closing provision is based on the actuarial valuation of accumulated debit card reward points. This amount will be utilised towards redemption of the debit card reward points.

c) Movement in provision for other contingencies:

(₹ in Crore)

	31 March 2017	31 March 2016
Opening provision at the beginning of the year	40.03	145.54
Provision made during the year	25.24	29.23
Reductions during the year	5.21	134.74
Closing provision at the end of the year	60.06	40.03

4.6 Amount of Provisions made for income-tax during the year

(₹ in Crore)

Particulars	2016-17	2015-16
Provision for Income Tax		
a) Current Tax	678.95	339.02
b) Deferred Tax	(203.24)	(95.02)

4.7 Description of contingent liabilities:

a) Claims against the Bank not acknowledged as debts

These represent claims filed against the Bank in the normal course of business relating to various legal cases currently in progress. These also include demands raised by income tax and other statutory authorities and disputed by the Bank.

b) Liability on account of forward exchange and derivative contracts

The Bank enters into Forward exchange contracts on its own account and on behalf of its customers. Forward exchange contracts are commitments to buy or sell foreign currency at a future date at the contracted rate.

c) Guarantees given on behalf of constituents

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

d) Acceptances, endorsements and other obligations

These include documentary credit issued by the Bank on behalf of its customers and bills drawn by the Bank's customers that are accepted or endorsed by the Bank.

e) Other items for which the bank is contingently liable

Includes Capital commitments and amount transferred to RBI under the Depositor Education and Awareness Fund (DEAF)

THE FEDERAL BANK LIMITED

SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2017 (CONTD...)

Refer schedule 12 for amounts relating to contingent liability.

4.8 Provisioning Pertaining to Fraud Accounts

The Bank has reported 68cases (Previous year:65 cases) of fraud in the Financial year ended 31 March, 2017 amounting to ₹ 259.19 Crore (Previous Year: ₹ 82.07 Crore) and has provided for the same in the books of account. Bank does not have any unamortised loss in this regard as of March 31, 2017.

4.9 Inter-bank participation with risk sharing

The aggregate amount of participation purchased by the Bank, shown as advances as per regulatory guidelines, outstanding as of March 31, 2017 was ₹ 1981.27 Crore (Previous Year: ₹ 1254.98).

The aggregate amount of the participation issued by the Bank, reduced from advances as per regulatory guidelines, outstanding as of March 31, 2017 was ₹150.00 Crore(Previous Year: ₹ NIL).

4.10 Factoring Exposure

The factoring exposure of the Bank as on March 31, 2017 is ₹1055.67 Crore (Previous Year: ₹NIL)

4.11 Priority Sector Lending Certificates (PSLC)

As per RBI Circular FIDD.CO.Plan.BC.23/04.09.01/2015-16 dated April 7, 2016 the PSLCs purchased and sold during the year March 31, 2017 is given below:

(₹ in Crore)

Particulars	Purchased (Face value)	Sold (Face value)
PSLC – Agriculture	-	-
PSLC – SF/MF	-	-
PSLC – Micro Enterprises	275.00	-
PSLC - General	-	-

4.12 Provision for Long Term contracts

The Bank has a process whereby periodically all long term contracts (including derivative contracts) are assessed for material foreseeable losses. At the year end, the bank has reviewed and recorded adequate provision as required under any Law/Accounting Standards for material foreseeable losses on such long term contracts (including derivative contracts) in the books of account and disclosed the same under the relevant notes in the financial statements.

4.13 Corporate Social Responsibility (CSR)

(₹ in Crore)

Particulars	For the year ended 31st March, 2017	For the year ended 31st March, 2016
Amount required to be spent	23.02	26.18
Amount spent during the year	15.42	12.30

The Bank has spent of 1.34 %of its average net profit for the last three financial years as part of its CSR activities for the year ended March 31, 2017. As a responsible Bank, it has approached the mandatory requirements of CSR spend positively by utilising the reporting year to lay a foundation on which to build and scale future projects and partnerships. The Bank is currently in the process of evaluating strategic avenues for CSR expenditure in order to deliver maximum impact. In the years to come, the Bank will further strengthen its processes as per requirement.

4.14 Investor education and protection fund

There has been no delay in transferring amounts, required to be transferred to the Investor Education and Protection Fund by the Bank.

THE FEDERAL BANK LIMITED**SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2017 (CONTD...)****4.15 Disclosure on Specified Bank Notes:**

The Bank believes that the MCA notification G.S.R. 308(E) dated March 30, 2017 regarding holdings as well as dealings in Specified Bank Notes during the period from 8th November, 2016 to 30th December, 2016 is not applicable to banking companies.

4.16 Small and Micro Industries

Under the Micro, Small and Medium Enterprises Development Act, 2006 which came into force from 2nd October, 2006, certain disclosures are required to be made relating to Micro, Small and Medium enterprises. There have been no reported cases of delays in payments to micro and small enterprises or of interest payments due to delays in such payments. The above is based on the information available with the Bank which has been relied upon by the auditors.

4.17 The figures for the year ended March 31, 2016 were audited by previous statutory auditors.**4.18 Figures for the previous year have been regrouped and reclassified, wherever necessary to conform to current year's presentation.**

Krishnakumar K
Deputy General Manager

Girish Kumar Ganapathy
Company Secretary

For and on behalf of the Board of Directors

Ashutosh Khajuria
Executive Director & CFO
(DIN:05154975)

Ganesh Sankaran
Executive Director
(DIN:07580955)

K M Chandrasekhar
Chairman
(DIN:06466854)

Shyam Srinivasan
Managing Director & CEO
(DIN : 02274773)

Directors:

Nilesh S Vikamsey (DIN : 00031213)

Dilip G Sadarangani (DIN : 06610897)

Harish H Engineer (DIN : 01843009)

Grace Elizabeth Koshie (DIN : 06765216)

Shubhalakshmi Panse (DIN : 02599310)

C Balagopal (DIN : 00430938)

Place: Kochi

Date : 28 April 2017

WHY SETTLE FOR LESS?

ASPIRE FOR MORE GLORY

We at Federal Bank believe that one mustn't settle for anything less in their journey towards glory. Precisely why, the Bank has developed a boutique of business loans to deal with the cash constraints that arise while setting up one's own business. With our customised business loans, we have taken care to address a whole lot of financial requirements in both small and medium business enterprises through various loan products.



BASEL III – PILLAR 3 DISCLOSURES AS ON 31st MARCH 2017**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	Name of the entity / Country of incorporation Whether the entity is included under accounting scope of consolidation (yes / no)	Explain the method of consolidation	Whether the entity is included under regulatory scope of consolidation (yes / no)	Explain the method of consolidation	Explain the reasons for difference in the method of consolidation	Explain the reasons if consolidated under only one of the scopes of consolidation
Fedbank Financial Services Ltd India	YES	AS 21	YES	AS 21	NA	NA
IDBI Federal Life Insurance Company Ltd India	YES	AS 23	NO	NA	NA	IDBI Federal is an insurance entity and has been risk weighted for capital adequacy purpose

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

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

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

(Amount in ₹Mn.)

Name of the entity / country of incorporation (as indicated in (i) a. above)	Principle activity of the entity	Total balance sheet equity (as stated in the accounting balance sheet of the legal entity)	Total balance sheet assets (as stated in the accounting balance sheet of the legal entity)
Fed bank Financial Services Ltd India	Marketing of Bank's own products and lending against gold and property.	2304.64	10112.95

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

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

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

(Amount in ₹Mn.)

Name of the insurance entities / country of incorporation	Principle activity of the entity	Total balance sheet equity (as stated in the accounting balance sheet of the legal entity)	% of bank's holding in the total equity / proportion of voting power	Quantitative impact on regulatory capital of using risk weighting method versus using the full deduction method
IDBI Federal Life Insurance Company Ltd India	Insurance	6789.38	26%	CRAR will reduce by 0.20% under deduction method

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

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

TABLE DF -2: CAPITAL ADEQUACY

1	Qualitative disclosures		
1.1	A summary discussion of the Bank's approach to assess the adequacy of its capital to support current and future activities		
	1. Policy on Internal Capital Adequacy Assessment Process has been put in place and the assessment of capital commensurate to the risk profile is reviewed on a quarterly basis. 2. Capital requirement for current business levels and estimated future business levels are assessed on a periodic basis. 3. The minimum capital required to be maintained by the Bank (including CCB) for the period ended March 31, 2017 is 10.25%. 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	56284.64	
	Portfolios subject to Standardized approach	56284.64	
	Securitization exposures	0.00	
2.2	Capital requirements for Market risk (Standardized duration approach)	3647.64	
	Interest rate risk	1787.21	
	Foreign exchange risk (including gold)	202.50	
	Equity risk	1657.93	
2.3	Capital requirements for Operational risk	5133.61	
	Basic Indicator Approach	5133.61	
	Total Capital Requirements	65065.89	
2.4	Common Equity Tier 1 ,Tier 1 & Total Capital Ratios	Standalone	Consolidated
	Common Equity Tier 1 capital ratio	11.81%	12.06%
	Tier 1 capital ratio	11.81%	12.06%
	Total capital ratio	12.39%	12.64%

RISK EXPOSURE AND ASSESSMENT

1	Credit risk
	<p>Strategies and processes:</p> <p>The Bank is exposed to credit risk in its lending operations. The Bank's strategies to manage the credit risks are given below:</p> <p>a) Defined segment exposures delineated into Agriculture, Retail, Micro, Small and Medium enterprises and Corporate.</p> <p>b) Industry wise segment ceilings on aggregate lending by Bank across Branches.</p> <p>c) Individual borrower wise and borrower group wise lending ceilings linked as a percentage to the Bank's capital funds as at the end of the previous year.</p> <p>d) 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 borrower's within defined thresholds of risk levels.</p> <p>e) The business of the Bank is within India including the IFSC branch located in GIFT City, Gujarat. In respect of certain industries; ceiling has been fixed for specific geographies with a view to contain Concentration risk. In respect of cross border trade which would involve exposures to banks and financial institutions located outside India, there is a geographic cap on exposures apart from cap on individual bank / institution. Bank has also fixed ceiling for its foreign currency exposures.</p> <p>f) A well-defined approach for sourcing and underwriting loans proposals are in place. Proper due diligence is carried out while sourcing fresh credit limits.</p> <p>g) A clear and well defined delegation of authority linking credit sanctions based upon the amount and riskiness of the exposure.</p> <p>h) Regular review of all credit policies including exposure ceilings with due approval of Bank's Board of Directors.</p> <p>i) Credit hub system is put in place to enhance quality of credit appraisal and underwriting process.</p> <p>j) 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.</p> <p>k) Dedicated Credit Monitoring Department and Credit Monitoring Cells at various levels to monitor / follow up of performance of loans and advances.</p> <p>l) Internal credit rating of all credit proposals of ₹5.00 Crores and above is to be confirmed by Integrated Risk Management Department.</p>
	<p>Structure and organization of risk management function:</p> <p>Bank has put in place Board approved comprehensive Credit Risk Management Policy. The policy aims to provide basic framework for implementation of sound credit risk management system in the Bank. It spells out various areas of credit risk, goals to be achieved, current practices and future strategies. Bank has also 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 month 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.</p>

	<p>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 and sector specific. 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. Retail advances and small value loans are rated using applicable score cards. All rating models are subjected to annual validation. Bank is conducting migration and default rate analysis for all loans of ₹50.00 lakhs and above.</p>
	<p>Rating process and rating output are used by the Bank in sanction and pricing of its exposures. Bank also conducts annual review of credit rating of its exposures and the findings are used in annual migration study and portfolio evaluation. Credit facilities are sanctioned at various levels in accordance with the delegation approved by the Board. Bank has generally adopted a committee approach for credit sanction. Wherever individuals exercise their powers for credit sanction, the same is subjected to confirmation by a higher authority. Credit rating assigned by an official is also subjected to confirmation by another official. Credit audit is being conducted at specified intervals. Credit risk mitigation techniques are resorted to contain the risk at the minimum level.</p>
	<p>Policies for hedging / mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges/ 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 pre-specified rating grade. Entry-level restrictions are further tightened in certain sectors where market signals need for extra caution.</p>
2	Market risk
	<p>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 Policy, Derivatives Policy, Forex policy, Market Risk Management Policy etc. are put in place for the conduct of business exposed to Market risk and also for effective management of all market risk exposures. The policies and practices also take care of monitoring and controlling of liquidity risk arising out of its banking and trading book operations.</p>
	<p>Structure and organization of risk management function: 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. This separate desk monitors market / operational risks in Bank's Treasury/ Forex operations on a daily basis and reports directly to the Head-Risk & Chief Risk Officer.</p>
	<p>Scope and nature of risk reporting / measurement systems: Bank has put in place regulatory/ internal limits for various products and business activities relating to trading book. Non-SLR investment exposures are subjected to credit rating. Limits for exposures to counterparties, industries and countries are monitored and risks are controlled through Stop Loss Limits, Overnight Limit, Daylight Limit, Aggregate Gap Limit, Individual Gap Limit, Inter-Bank dealing and investment limits etc. Parameters like Modified Duration, VaR etc. are used for Risk management and reporting.</p>
	<p>Policies for hedging / mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges/ mitigants: 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 and Short Term Dynamic Liquidity. The liquidity profile of the Bank is measured on static and dynamic basis using the Statements of Structural Liquidity and Short Term Dynamic Liquidity, respectively. Structural liquidity position is assessed on a daily basis and Dynamic liquidity position is assessed on a fortnightly 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 monthly basis. Advanced techniques such as Stress testing, sensitivity analysis etc. are conducted periodically to assess the impact of various contingencies.</p>
3	Operational risk
	<p>Strategies and processes: Operational risk is primarily managed by prescribing adequate controls and mitigation measures, which are being reviewed and updated on a regular basis, to suit the changes in business practices, structure and risk profile. A comprehensive bank-wide Business Continuity Plan is put in place to ensure continuity of critical operations of the Bank covering all identified disasters. Robust information and cyber security frameworks are established for securing the IT infrastructure and systems of the Bank.</p>
	<p>Structure and organization of risk management function: Risk Management Committee of the Board oversees Bank-wide risk management. Bank has put in place a detailed framework for Operational Risk Management with a well-defined ORM Policy. Operational Risk Management Committee (ORMC) at the executive level oversees bank wide implementation of Board approved policies and processes in this regard.</p>

	<p>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 identifying and assessing operational risk through Risk and Control Self Assessments (RCSA) and monitoring of Key Risk Indicators (KRI).</p>
	<p>Policies for hedging / mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges/ mitigants: Bank is using insurance for mitigating against various operational risk losses. New products and processes or any modifications to existing products and processes are vetted to identify and understand the nature and degree of the risks the Bank would be exposed to and checks and controls are implemented to mitigate the risks. To evaluate the effectiveness of the business continuity arrangements, periodic drills and tests are conducted.</p>
4	Interest rate risk in Banking Book
	<p>Strategies and processes: Interest Rate Risk is assessed in two perspectives – Earnings perspective using Traditional Gap Analysis to assess the impact of adverse movement in interest rate on the Net Interest Income (Earnings at Risk) and economic value perspective using Duration Gap Analysis to assess the impact of adverse movement in interest rate on the market value of Bank's equity.</p>
	<p>Structure and organization of risk management function: Risk Management Committee at the Board level and ALCO at the executive level are responsible for effective management of Interest Rate Risk in Bank's business. Board approved ALM Policy governs the Interest rate risk management framework of the Bank. Market Risk Management Policy takes care of the management of Interest rate risk in the Trading Book of the Bank.</p>
	<p>Scope and nature of risk reporting / measurement systems: Interest rate risk in Banking Book is assessed and Modified Duration of Equity is evaluated on a monthly basis. The likely drop in Market Value of Equity for 200 bps change in interest rates is computed and benchmarked under the Internal Capital Adequacy Assessment Process for computation of Pillar II capital charge for Interest Rate Risk. Earnings at Risk based on Traditional Gap Analysis are calculated on a monthly basis. The results of Duration Gap Analysis as well as that of Traditional Gap Analysis including the adherence to tolerance limit set in this regard is monitored and is placed before ALCO / RMC for approval. Stress tests are conducted to assess the impact of interest rate risk under different stress scenarios on earnings of the Bank.</p>
	<p>Policies for hedging / mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges/ mitigants: Bank has put in place mitigating / hedging measures prescribed by Investment Policy, ALM Policy, Market Risk Management Policy and Derivatives Policy. Risk profiles are analyzed and mitigating strategies/ hedging process are suggested and operationalized by Treasury Department with the approval of Senior level Committees.</p>

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 assures adherence to regulatory stipulations. The structure is designed in tune with the regulatory guidelines.

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

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

Integrated Risk Management Department is responsible for overall identification, measurement, monitoring and control of various types of risks faced by the Bank in its operations and compliance of risk management guidelines and policies issued by Regulator / Board. IRMD has three divisions; Credit Risk Division, Market Risk Division and Operational Risk Division. Division Heads report to the Head-Risk & Chief Risk Officer who reports directly to the Managing Director & CEO.

1	<p>Qualitative disclosures</p> <p>Definitions of past due and impaired (for accounting purposes):</p> <p>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</p> <ol style="list-style-type: none"> Interest and/ or installment of principal remain overdue for a period of more than 90 days in respect of a term loan. The account remains 'Out of order' as indicated in paragraph 2 below, in respect of an Overdraft / Cash Credit (OD/CC). The bill remains overdue for a period of more than 90 days in case of bills purchased and discounted. The installment of principal or interest thereon remains overdue for two crop seasons for short duration crops. The installment of principal or interest thereon remains overdue for one crop season for long duration crops. <p>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.</p> <p>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.</p>
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TABLE DF – 3: CREDIT RISK: GENERAL DISCLOSURES

<p>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:</p> <ul style="list-style-type: none"> • SMA-0- Principal or interest payment not overdue for more than 30 days, but account showing signs of incipient stress due to various non-financial reasons. • SMA-1- Principal or interest overdue between 31-60 days. • SMA-2- Principal or interest overdue between 61-90 days.
<p>Credit Risk a. 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. b. Downgrading of counterparties whose credit instruments, the Bank may be holding, causing the value of those assets to fall. c. Settlement Risk (possibility that the Bank may pay counterparty and fail to receive the corresponding settlement in return).</p>
<p>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.</p>

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)	865701.50	59983.90	925685.40
Geographic distribution of exposures (same basis as adopted for segment reporting adopted for compliance with AS 17)			
Overseas	12559.76	0.52	12560.28
Domestic	853141.74	59983.38	913125.12

* 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	Funded Credit Exposure	Non-Funded Credit Exposure	Total Credit Exposure (Funded and Non-Funded)	% to Gross Credit Exposure
A. Mining and Quarrying	2745.86	41.94	2787.81	0.30%
A.1 Coal	376.87	0.00	376.87	0.04%
A.2 Others	2369.00	41.94	2410.94	0.26%
B. Food Processing	3778.36	32.53	3810.89	0.41%
B.1 Sugar	1565.16	4.51	1569.66	0.17%
B.2 Edible Oils and Vanaspati	0.03	6.41	6.44	0.00%
B.3 Tea	0.00	4.02	4.02	0.00%
B.4 Coffee	483.44	0.00	483.44	0.05%
B.5 Others	1729.74	17.59	1747.33	0.19%
C. Beverages (excluding Tea & Coffee) and Tobacco	2425.52	0.00	2425.52	0.26%
C.1 Tobacco and tobacco products	188.94	0.00	188.94	0.02%
C.2 Others	2236.58	0.00	2236.58	0.24%

D. Textiles	13031.82	20.19	13052.00	1.41%
D.1 Cotton	2522.54	10.11	2532.65	0.27%
D.2 Jute	117.51	0.07	117.58	0.01%
D.3 Man-made	0.00	0.00	0.00	0.00%
D.4 Others	10391.77	10.01	10401.77	1.12%
Out of D (i.e., Total Textiles) to Spinning Mills	152.60	0.35	152.94	0.02%
E. Leather and Leather products	1006.23	7.75	1013.98	0.11%
F. Wood and Wood Products	2556.20	6.93	2563.13	0.28%
G. Paper and Paper Products	6140.38	49.58	6189.96	0.67%
H. Petroleum (non-infra), Coal Products (non-mining) and Nuclear Fuels	10553.47	5.87	10559.34	1.14%
I. Chemicals and Chemical Products (Dyes, Paints, etc.)	10868.68	8.20	10876.88	1.18%
I.1 Fertilizers	4098.89	1.00	4099.89	0.44%
I.2 Drugs and Pharmaceuticals	2971.93	3.03	2974.96	0.32%
I.3 Petro-chemicals (excluding under Infrastructure)	0.00	0.00	0.00	0.00%
I.4 Others	3797.86	4.18	3802.03	0.41%
J. Rubber, Plastic and their Products	7752.42	14.81	7767.23	0.84%
K. Glass & Glassware	1127.95	18.59	1146.54	0.12%
L. Cement and Cement Products	2659.45	10.50	2669.95	0.29%
M. Basic Metal and Metal Products	18960.45	218.64	19179.08	2.07%
M.1 Iron and Steel	14515.76	71.80	14587.56	1.58%
M.2 Other Metal and Metal Products	4444.69	146.84	4591.53	0.50%
N. All Engineering	7771.48	1664.54	9436.02	1.02%
N.1 Electronics	276.26	0.11	276.37	0.03%
N.2 Others	7495.22	1664.44	9159.66	0.99%
O. Vehicles, Vehicle Parts and Transport Equipments	6473.16	12.24	6485.40	0.70%
P. Gems and Jewellery	1466.69	0.00	1466.69	0.16%
Q. Construction	1347.26	0.00	1347.26	0.15%
R. Infrastructure	48775.40	15546.12	64321.51	*6.95%
R.a Transport (a.1 to a.6)	16866.44	1284.95	18151.39	1.96%
R.a.1 Roads and Bridges	10242.83	1114.73	11357.56	1.23%
R.a.2 Ports	0.00	0.00	0.00	0.00%
R.a.3 Inland Waterways	0.00	0.00	0.00	0.00%
R.a.4 Airport	6623.61	170.22	6793.83	0.73%
R.a.5 Railway Track, tunnels, viaducts, bridges	0.00	0.00	0.00	0.00%
R.a.6 Urban Public Transport (except rolling stock in case of urban road transport)	0.00	0.00	0.00	0.00%
R.b. Energy (b.1 to b.6)	12353.98	1163.60	13517.58	1.46%
R.b.1 Electricity Generation	4404.35	743.60	5147.95	0.56%
R.b.1.1 Central Govt PSUs	0.00	0.00	0.00	0.00%
R.b.1.2 State Govt PSUs (incl. SEBs)	172.74	0.00	172.74	0.02%
R.b.1.3 Private Sector	4231.61	743.60	4975.21	0.54%
R.b.2 Electricity Transmission	33.17	0.00	33.17	0.00%
R.b.2.1 Central Govt PSUs	0.00	0.00	0.00	0.00%
R.b.2.2 State Govt PSUs (incl. SEBs)	33.17	0.00	33.17	0.00%

R.b.2.3 Private Sector	0.00	0.00	0.00	0.00
R.b.3 Electricity Distribution	7916.46	420.00	8336.46	0.90%
R.b.3.1 Central Govt PSUs	0.00	0.00	0.00	0.00%
R.b.3.2 State Govt PSUs (incl. SEBs)	6998.94	0.00	6998.94	0.76%
R.b.3.3 Private Sector	917.51	420.00	1337.51	0.14%
R.b.4 Oil Pipelines	0.00	0.00	0.00	0.00%
R.b.5 Oil/Gas/Liquefied Natural Gas (LNG) storage facility	0.00	0.00	0.00	0.00%
R.b.6 Gas Pipelines	0.00	0.00	0.00	0.00%
R.c. Water and Sanitation (c.1 to c.7)	369.13	0.25	369.38	0.04%
R.c.1 Solid Waste Management	0.00	0.00	0.00	0.00%
R.c.2 Water supply pipelines	369.13	0.25	369.38	0.04%
R.c.3 Water treatment plants	0.00	0.00	0.00	0.00%
R.c.4 Sewage collection, treatment and disposal system disposal system	0.00	0.00	0.00	0.00%
R.c.5 Irrigation (dams, channels, embankments etc)	0.00	0.00	0.00	0.00%
R.c.6 Storm Water Drainage System	0.00	0.00	0.00	0.00%
R.c.7 Slurry Pipelines	0.00	0.00	0.00	0.00%
R.d. Communication (d.1 to d.3)	1868.31	12600.00	14468.31	1.56%
R.d.1 Telecommunication (Fixed network)	1868.31	12600.00	14468.31	1.56%
R.d.2 Telecommunication towers	0.00	0.00	0.00	0.00%
R.d.3 Telecommunication and Telecom Services	0.00	0.00	0.00	0.00%
R.e. Social and Commercial Infrastructure (e.1 to e.9)	13272.44	56.70	13329.14	1.44%
R.e.1 Education Institutions (capital stock)	5887.04	0.00	5887.04	0.64%
R.e.2 Hospitals (capital stock)	7232.43	56.20	7288.63	0.79%
R.e.3 Three-star or higher category classified hotels located outside cities with population of more than 1 million	0.00	0.00	0.00	0.00%
R.e.4 Common infrastructure for industrial parks, SEZ, tourism facilities and agriculture markets	0.00	0.00	0.00	0.00%
R.e.5 Fertilizer (Capital investment)	0.00	0.00	0.00	0.00%
R.e.6 Post harvest storage infrastructure for agriculture and horticultural produce including cold storage	152.97	0.50	153.47	0.02%
R.e.7 Terminal markets	0.00	0.00	0.00	0.00%
R.e.8 Soil-testing laboratories	0.00	0.00	0.00	0.00%
R.e.9 Cold Chain	0.00	0.00	0.00	0.00%
R.f. Others, if any, please specify	4045.10	440.62	4485.71	0.48%
Infrastructure Finance	0.00	0.00	0.00	0.00%
Other Infrastructure	4045.10	440.62	4485.71	0.48%
S. Other Industries	6745.89	2697.04	9442.93	1.02%
All Industries (A to S)	156186.65	20355.46	176542.11	

* 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	6213.24	144.52	3180.85	40318.73	9188.37	0.00	0.00	59045.71
2 – 7 days	0.00	745.83	22557.61	2645.85	15621.17	0.00	0.16	41570.62
8-14 days	0.00	295.67	1297.00	895.59	5650.94	0.00	0.19	8139.38
15-30 days	0.00	998.12	574.25	12437.61	15634.44	0.00	1.15	29645.57
31 days & upto 2 months	0.00	1417.89	474.25	2590.84	27210.72	0.00	3.79	31697.49
Over 2 months & up to 3 months	0.00	2319.09	0.00	8159.06	31727.20	0.00	9.01	42214.36
Over 3 months & up to 6 months	0.00	3122.96	0.00	16113.34	60733.03	0.00	2877.35	82846.69
Over 6 months & up to 1 year	0.00	6258.16	0.00	23628.15	84583.87	0.00	2889.53	117359.71
Over 1 year & up to 3 years	0.00	15716.49	0.00	40966.81	306396.59	0.00	19301.88	382381.77
Over 3 years & up to 5 years	0.00	557.15	672.10	14162.62	84655.71	0.00	11697.06	111744.63
Over 5 years and upto 7 years	0.00	2749.89	0.00	24411.71	41656.34	0.00	10779.20	79597.14
Over 7 years and up to 10 years	0.00	2783.63	0.00	23563.32	28603.96	0.00	1973.18	56924.09
Over 10 year and up to 15 years	0.00	1222.13	0.00	17080.66	18451.23	0.00	1862.86	38616.88
Over 15 years	0.00	1220.92	0.00	54986.59	3249.14	4894.69	3633.95	67985.29
Total	6213.24	39552.44	28756.06	281960.89	733362.72	4894.69	55029.29	1149769.34

ASSET QUALITY
Advances

(Amount in ₹ Mn)

Amount of Non-Performing Assets (Gross)	17270.50
Substandard	6186.82
Doubtful 1	4926.36
Doubtful 2	4059.81
Doubtful 3	627.18
Loss	1470.33
Net NPA	9412.00
NPA ratios	
Gross NPAs to gross advances (%)	2.33%
Net NPAs to net advances (%)	1.28%
Movement of NPAs (Gross)	
Opening balance (balance as at the end of previous Fiscal)	16677.67
Additions during the period	10749.96
Reductions	10157.13
Closing balance	17270.50

Movement of provisions

(Amount in ₹ Mn)

	Specific Provision	General Provision
Opening balance (balance as at the end of previous Fiscal)	6313.22	691.80
Provisions made during the period	5286.28	0.00
Write off	2364.22	0.00
Write back of excess provisions	2382.59	0.00
Any other adjustments, including transfers between provisions	0.00	0.00
Closing balance	6852.69	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	550.40
Recoveries that have been booked directly to the income statement	727.00

Investments

(Amount in ₹Mn.)

Amount of Non Performing Investments(Gross)	2680.64
Amount of provisions held for Non Performing Investments	834.38
Movement of provisions for depreciation on investments	
Opening balance (balance as at the end of previous Fiscal)	292.22
Provisions made during the period	368.20
Write-off	0.00
Write-back of excess provisions	126.18
Closing balance	534.24

Major Industry breakup of NPA

(Amount in ₹Mn.)

Industry	Gross NPA	Specific Provision
NPA in Top 5 industries	1335.46	365.38

Geography wise Distribution of NPA and Provision

(Amount in ₹Mn.)

Geography	Gross NPA	Specific Provision	General Provision
Domestic	17270.50	6852.69	691.80
Overseas	0.00	0.00	0.00
Total	17270.50	6852.69	691.80

TABLE DF – 4: DISCLOSURES FOR PORTFOLIOS SUBJECT TO THE STANDARDIZED APPROACH

1	Qualitative disclosures
	For portfolios under the Standardized Approach:
	<p>Names of credit rating agencies used, plus reasons for any changes: Bank has approved all the six 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 2. CARE 3. India Ratings and Research Private Limited(Formerly FITCH INDIA) 4. ICRA 5. Brickwork Ratings India Pvt. Ltd (BRICKWORK) 6. SMERA Ratings Ltd</p> <p>Bank is also using the ratings of the following international credit rating agencies for assigning risk weights to claims for capital adequacy purposes where the exposure can be specified as international exposure: 1. Fitch; 2. Moody's and 3. Standard & Poor's</p> <p>With respect to external credit rating, Bank is using long term ratings for risk weighting all long term claims and unrated short term claims on the same counterparty. However, short term rating of a counterparty is used only to assign risk weight to all short term claims of the obligor and not to risk weight unrated long term claims on the same counterparty.</p>
	<p>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.</p> <p>The rating reviewed, at least once during past 15 months will only be considered for risk weighting purposes.</p>

<p>Description of the process used to transfer public issue ratings into comparable assets in the Banking Book: 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:</p> <ol style="list-style-type: none"> 1. Issue specific ratings are used where the unrated claim of the Bank ranks paripassu 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 %	692463.94
	100 %	254162.58
	More than 100 %	100033.78
	Deducted	1900.00*
	Total	1048560.30

* Investment in wholly owned subsidiary

TABLE DF – 5: CREDIT RISK MITIGATION: DISCLOSURES FOR STANDARDIZED APPROACHES

1	Qualitative disclosures
	Disclosures on credit risk mitigation methodology adopted by the Bank that are recognized under the Standardized Approach for reducing capital requirements for credit risk
1.1	Policies and processes for, and an indication of the extent to which the bank makes use of, on- and off-balance sheet netting
	Bank has no practice of on-balance sheet netting for credit risk mitigation. Eligible collaterals taken for the exposures are separately earmarked and the exposures are expressed without netting.
1.2	Policies and processes for collateral valuation and management
	Bank has put in place Board approved policy on Credit Risk Management in which Collateral Management and credit risk mitigation techniques used by the Bank for both Risk management and capital computation purposes are separately included. The Loan policy of the Bank covers various aspects of valuation of collaterals.
1.3	Description of the main types of collateral taken by the Bank
	<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 jewellery of purity 91.6% and above, the value of which is notionally converted to value of gold with 99.99% purity. 3. Securities issued by Central and State Governments. 4. KisanVikasPatra 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

	<p>a. Sovereigns (Central / State Governments)</p> <p>b. Sovereign entities like ECGC, CGFTSI</p> <p>c. Banks and Primary Dealers with a lower risk weight than the counter party</p> <p>Other entities rated AA (-) or better. This would include guarantee cover provided by parent, subsidiary and affiliate companies when they have lower risk weight than the obligor. The rating of the guarantor should be an entity rating which has factored in all the liabilities and commitments (including guarantees) of the entity.</p>
1.5	Information on market / credit risk concentrations within the mitigation taken by the Bank
	<p>Majority of financial collaterals held by the Bank are by way of own Deposits, Government Securities, Gold, Life Insurance Policies and other approved securities like NSC, KVP etc. Bank does not envisage market liquidity risk in respect of financial collaterals except in Gold and Units of Mutual Funds. Bank does not have exposure collateralized through units of eligible Mutual Funds. With respect to gold loans, each and every exposure is reviewed/ renewed/closed within a maximum period of 12 months. Bank could successfully manage the risks posed by sudden reduction in gold price in the past. Measures warranted by the situation were timely taken.</p> <p>Bank has not experienced any significant Market liquidity risk in Gold. Overall, financial collaterals do not have any issue in realization. Concentration on account of collateral is also relevant in the case of Land & building. Except in the case of Housing loan to individuals and loans against property, land and building is considered only as an additional security. As land and building is not recognized as eligible collateral under Standardized Approach, its value is not reduced from the amount of exposure in the process of computation of capital charge. It is used only in the case of Housing loan to individuals and non-performing assets to determine the appropriate risk weight. As such, there is no concentration risk on account of nature of collaterals.</p>

2. Quantitative Disclosures

(Amount in ₹Mn.)

2.1	Credit risk exposure covered by eligible financial collaterals			
	Type of exposure	Credit equivalent of gross exposure	Value of eligible financial collateral after haircuts	Net amount of credit exposure
A	Funded Credit Exposure	93933.04	86537.26	7395.78
B	Non funded Credit exposure	22891.71	8039.73	14851.98
C	Securitization exposures – On balance sheet	0.00	0.00	0.00
D	Securitization exposures – Off balance sheet	0.00	0.00	0.00
	TOTAL	116824.75	94576.99	22247.76
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		16636.68	7266.66
B	Non funded Credit exposure		15797.43	14778.78
C	Securitization exposures – on balance sheet		0.00	0.00
D	Securitization exposures – off balance sheet		0.00	0.00
	TOTAL		32434.11	22045.44

TABLE DF – 6: SECURITISATION: DISCLOSURES FOR STANDARDIZED APPROACH

1.	Qualitative disclosures
1.1	General disclosures on securitization exposures of the Bank
A	<p>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)</p> <p>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.</p>
B	<p>Role of Bank in securitization processes (originator / investor/ service provider/ facility provider etc.) and extent of involvement in each activity.</p> <p>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.</p> <p>As an Assignee : The Bank also purchases Asset portfolio by way of Direct assignment from Banks / NBFCs.</p>
C	Processes in place to monitor changes in the credit and market risk of securitization exposures
	<p>The major risks involved in Loan assignment transactions are:</p> <p>Credit Risk: The risk of default on a debt that may arise from an obligor failing to make required payments.</p> <p>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.</p>

	Regulatory and legal risks: Risks arising due to non-compliance of regulatory requirements resulting in keeping higher risk weight/ capital charge for assignment transactions. Risk of non-compliance of regulatory rules. Prepayment risk: Prepayment risk arises on account of prepayment of dues by obligors in the assigned pool either in part or full. Bank is constantly monitoring the changes in Credit and Market risk profile of securitization instruments held in the Trading book and Banking book. In case of portfolio purchased through Assignment route, monitoring is done on an individual account level.
D	Bank's policy governing the use of credit risk mitigation to mitigate the risks retained through securitization exposures
	The Bank has not originated any securitization exposures. In the case of purchase by way of Direct assignment route; bank has not used any Credit risk mitigants.
1.2	Accounting policies for securitization activities
A	Treatment of transaction (whether as sales or financings)
	NA
B	Methods and key assumptions (including inputs) applied in valuing positions retained or purchased
	Income from investments in Pass Through Certificates is recognized on accrual basis. Income recognition is subjected to prudential norms stipulated by Reserve Bank of India in this regard. The loans purchased through Direct assignment route are classified as advances. The loans purchased will be carried at acquisition cost.
C	Changes in methods and key assumptions from the previous period and impact of the changes
	No change is effected in methods and key assumptions used for valuation of investment in securitized instruments (Pass Through Certificates).
D	Policies for recognizing liabilities on the balance sheet for arrangements that could require the bank to provide financial support for securitized assets.
	Bank has not entered into any arrangement to provide financial support for securitized assets.
1.3	In the Banking Book, names of ECAIs used for securitizations and the types of securitization exposures for which each agency is used.
	For computation of Capital requirements for loans purchased by way of Direct assignment, Bank has used the Credit rating issued by eligible ECAIs.

2.	Quantitative disclosures(Amount in ₹Mn)			
2.1	In the Banking Book			
A	Total amount of exposures securitized by the Bank		Nil	
B	For exposures securitized, losses recognized by the Bank during the current period (exposure type wise breakup)		Nil	
C	Amount of assets intended to be securitized within a year		Nil	
D	Of (C) above, amount of assets originated within a year before securitization		Nil	
E	Securitization exposures (by exposure type) and unrecognized gain or losses on sale thereon			
	Type of exposure	Amount securitized	Unrecognized gain / loss	
	Nil	Nil	Nil	
F	Aggregate amount of on-balance sheet securitization exposures retained or purchased by the Bank (exposure type wise breakup) (Direct assignment of Cash flows)	Commercial Vehicle	1712.65	
		MSME	633.71	
		Housing	21381.54	
		Loan against property	6496.28	
		Commercial TL / LRD	3502.85	
		Agri / Allied activities	493.35	
		Total	34220.38	
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	21381.98	969.62
		Mixed Assets*	3992.45	269.52
		Agri / Allied activities	492.23	33.23
	At 100%	Commercial TL / LRD	3703.89	333.35
	More than 100%	Loan against property	4649.14	522.52

*includes Commercial Vehicle Loans and Micro & Small Business Loans

I	Total amount of deductions from capital on account of securitization exposures		Nil
	Deducted entirely from Tier I capital-underlying exposure type wise break up		Nil
	Credit enhancing interest only strips (I/O) deducted from total capital – underlying exposure type wise break up		Nil
	Other exposures deducted from total capital – underlying exposure type wise break up		Nil
2.2	In the Trading Book		
A	Aggregate amount of exposures securitized by the Bank for which the Bank has retained some exposures, which is subject to Market Risk approach (exposure type wise details)		
	Type of exposure	Gross Amount	Amount retained
	Nil	Nil	Nil
B	Aggregate amount of on-balance sheet securitization exposures retained or purchased by the Bank (exposure type wise breakup)		
	Type of exposure		(Amount in ₹Mn.)
	Investment in Pass through Certificates		999.99
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	5.56%	999.99
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	5.56%	55.66
G	Total amount of deductions from capital on account of securitization exposures		Nil
	Deducted entirely from Tier I capital – underlying exposure type wise break up		Nil
	Credit enhancing interest only strips (I/Os) deducted from total capital – underlying exposure type wise break up		Nil
	Other exposures deducted from total capital – underlying exposure type wise break up		Nil

TABLE DF – 7: MARKET RISK IN TRADING BOOK

1.	Qualitative disclosures	
1.1	Approach used for computation of capital charge for market risk	
	<p>Bank has adopted Standardized Duration Approach as prescribed by RBI for computation of capital charge for general market risk and is fully compliant with such RBI guidelines. Bank uses VaR as an indicative tool for measuring Forex risk and Equity Price risk. Standardized Duration Approach is applied for computation of General Market Risk for</p> <ul style="list-style-type: none"> • Securities under HFT category • Securities under AFS category • Open gold position limits • Open foreign exchange position limits • Trading positions in derivatives • Derivatives entered into for hedging trading book exposures <p>Specific capital charge for market risk is computed based on risk weights prescribed by the Regulator.</p>	
1.2	Portfolios covered in the process of computation of capital charge	
	Investment portfolio under AFS and HFT, Gold and Forex open positions and Derivatives entered for trading and hedging.	
		(Amount in ₹Mn.)
2.	Quantitative disclosures	
2.1	Minimum capital requirements for market risk as per Standardized Duration Approach	
	Interest rate risk	3647.64
	Foreign exchange risk (including gold)	1787.21
	Equity position risk	202.50
		1657.93

TABLE DF – 8: OPERATIONAL RISK

1.	Qualitative disclosures
1.1	Approach used for computation of capital charge for operational risk (and for which the Bank is qualified)
	Bank is following the Basic Indicator Approach for computation of capital charge for operational risk. Bank has initiated steps for migrating to the advanced approaches in due course.

TABLE DF – 9: INTEREST RATE RISK IN BANKING BOOK (IRRBB)

1.	Qualitative disclosures
	<p>The impact of adverse movements in interest rates on financials is referred to as interest rate risk. For banking book, interest rate risk arises through mismatches in re-pricing of interest rate sensitive assets (RSA), rate sensitive liabilities (RSL) and rate sensitive off-balance sheet items. As interest rate risk can impact both Net Interest Income (NII) and Economic value of capital, it is assessed and managed from both earnings and economic value perspective.</p> <p>a) Earnings perspective: Analyses the impact on Bank's Net Interest Income (NII) in the short term through traditional gap analysis.</p> <p>b) Economic perspective: Analyses the impact on the Net-worth of bank due to re-pricing of assets, liabilities and off-balance sheet items through duration gap analysis.</p> <p>The Bank classifies an asset/liability as rate sensitive if:</p> <ul style="list-style-type: none"> • Within the time interval under consideration, there is a cash flow • The interest rate resets / reprices contractually during the interval • RBI changes the interest rates in cases where interest rates are administered <p>Rate sensitive assets and liabilities are grouped under various time buckets prescribed by RBI for interest rate sensitivity statement and bucket wise modified duration is computed using the suggested common maturity, coupon and yield parameters.</p>
	Core portion of non-maturing deposits (Current Account and Saving Account) is bucketed in "over 1 year – 3 year" based on the behavioural analysis. Non-rate sensitive liabilities and assets primarily comprise of capital, reserves and surplus, other liabilities, cash and balances with RBI, current account balances with banks, fixed assets and other assets.
	IRRBB is assessed on a monthly basis and monitored by ALCO, both under earnings and economic value perspectives.

2.	Quantitative disclosures - Impact of interest rate risk	(Amount in ₹Mn.)	
		Total Book	Banking Book
2.1	Earnings perspective (Traditional Gap Analysis)		
	Earnings at Risk (EaR) – impact for one year due to		
	Uniform 1% increase in interest rate		
	Uniform 1% decrease in interest rate	2214.56	1915.23
2.2	Economic value perspective – percentage and quantum of decrease in market value of equity on account of 1% uniform increase in interest rate	4.02%	2.60%
		3558.29	2301.38

(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	77733.73	3612.73
Interest rate derivative contracts	7500.00	101.10
Total	85233.73	3713.83

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)	28730.84	a+d
2	Retained earnings	12929.87	l + (m-m1)
3	Accumulated other comprehensive income (and other reserves)	46036.97	b+c+e+f+g+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	87697.68	
Common Equity Tier 1 capital: regulatory adjustments			
7	Prudential valuation adjustments	0.00	
8	Goodwill (net of related tax liability)	0.00	
9	Intangibles(net of related tax liability)	2.58	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	Securitization 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	0.46	
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	0.00	
19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	0.00	
20	Mortgage servicing rights (amount above 10% threshold)	0.00	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	0.00	
22	Amount exceeding the 15% threshold	0.00	
23	of which: significant investments in the common stock of financial entities		
24	of which: mortgage servicing rights	0.00	
25	of which: deferred tax assets arising from temporary differences	0.00	
26	National specific regulatory adjustments (26a+26b+26c+26d)	0.00	
26 a	of which: Investments in the equity capital of the unconsolidated insurance subsidiaries	0.00	
26 b	of which: Investments in the equity capital of unconsolidated non-financial subsidiaries	0.00	
26 c	of which: Shortfall in the equity capital of majority owned financial entities which have not been consolidated with the bank	0.00	
26 d	of which: Unamortized 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	3.04	
29	Common Equity Tier 1 capital (CET1)	87694.65	
Additional Tier 1 capital: instruments			
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus (31+32)	0.00	

31	of which: classified as equity under applicable accounting standards (Perpetual Non-Cumulative Preference Shares)	0.00	
32	of which: classified as liabilities under applicable accounting standards (Perpetual debt Instruments)	0.00	
33	Directly issued capital instruments subject to phase out from Additional Tier 1	0.00	
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	0.00	
35	of which: instruments issued by subsidiaries subject to phase out	0.00	
36	Additional Tier 1 capital before regulatory adjustments	0.00	
Additional Tier 1 capital: regulatory adjustments			
37	Investments in own Additional Tier 1 instruments	0.00	
38	Reciprocal cross-holdings in Additional Tier 1 instruments	0.00	
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	0.00	
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	0.00	
41	National specific regulatory adjustments (41a+41b)	0.00	
41 a	Investments in the Additional Tier 1 capital of unconsolidated insurance subsidiaries	0.00	
41 b	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)	87694.65	
Tier 2 capital: instruments and provisions			
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	0.00	n
47	Directly issued capital instruments subject to phase out from Tier 2	0.00	
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	0.00	
49	of which: instruments issued by subsidiaries subject to phase out	0.00	
50	Provisions	4218.60	ci+h+o
51	Tier 2 capital before regulatory adjustments	4218.60	
Tier 2 capital: regulatory adjustments			
52	Investments in own Tier 2 instruments	0.00	
53	Reciprocal cross-holdings in Tier 2 instruments	24.25	
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 ¹³ in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	0.00	
56	National specific regulatory adjustments (56a+56b)	0.00	
56 a	of which: Investments in the Tier 2 capital of unconsolidated subsidiaries	0.00	
56 b	of which: Shortfall in the Tier 2 capital of majority owned financial entities which have not been consolidated with the bank	0.00	
57	Total regulatory adjustments to Tier 2 capital	24.25	
58	Tier 2 capital (T2)	4194.35	
59	Total capital (TC = T1 + T2) (45 + 58)	91889.00	
60	Total risk weighted assets (60a + 60b + 60c)	727209.60	

60 a	of which: total credit risk weighted assets	629664.73	
60 b	of which: total market risk weighted assets	40504.77	
60 c	of which: total operational risk weighted assets	57040.11	
Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of risk weighted assets)	12.06%	
62	Tier 1 (as a percentage of risk weighted assets)	12.06%	
63	Total capital (as a percentage of risk weighted assets)	12.64%	
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation and countercyclical buffer requirements, expressed as a percentage of risk weighted assets)	0.00%	
65	of which: capital conservation buffer requirement	1.250%	
66	of which: bank specific countercyclical buffer requirement	0.00%	
67	of which: G-SIB buffer requirement	0.00%	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	6.56%	
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	1679.77	
73	Significant investments in the common stock of financial entities	2080.00	
74	Mortgage servicing rights (net of related tax liability)	0.00	
75	Deferred tax assets arising from temporary differences (net of related tax liability)	0.00	
Applicable caps on the inclusion of provisions in Tier 2			
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	3982.88	
77	Cap on inclusion of provisions in Tier 2 under standardized approach	7870.81	
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	0.00
	Total as indicated in row 10	0.00
19	If investments in insurance subsidiaries are not deducted fully from capital and instead considered under 10% threshold for deduction, the resultant increase in the capital of bank	2080.00

	of which: Increase in Common Equity Tier 1 capital	2080.00
	of which: Increase in Additional Tier 1 capital	0.00
	of which: Increase in Tier 2 capital	0.00
26 b	If investments in the equity capital of unconsolidated non-financial subsidiaries are not deducted and hence, risk weighted then:	0.00
	(i) Increase in Common Equity Tier 1 capital	0.00
	(ii) Increase in risk weighted assets	0.00
50	Eligible Provisions included in Tier 2 capital	3982.88
	Eligible Revaluation Reserves included in Tier 2 capital	0.00
	Total of row 50	3982.88

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
		31-03-17	31-03-17
A	Capital & Liabilities		
i	Paid-up Capital	3448.09	3448.09
	Reserves & Surplus	86065.61	86380.36
	Minority Interest		
	Total Capital	89513.69	89828.45
ii	Deposits	976620.76	976620.76
	of which: Deposits from banks	27440.57	27440.57
	of which: Customer deposits	949180.19	949180.19
	of which: Other deposits (pl. specify)	0.00	0.00
iii	Borrowings	63454.93	63454.93
	of which: From RBI	0.00	0.00
	of which: From banks	16979.36	16979.36
	of which: From other institutions & agencies	32647.61	32647.61
	of which: Others (pl. specify)	13827.96	13827.96
	of which: Capital instruments	0.00	0.00
iv	Other liabilities & provisions	25267.98	25267.98
	Total Liabilities	1154857.35	1155172.11
B	Assets		
i	Cash and balances with Reserve Bank of India	45782.69	45782.69
	Balance with banks and money at call and short notice	28763.72	28763.72
ii	Investments:	279122.59	279437.35
	of which: Government securities	215654.10	215654.10
	of which: Other approved securities	0.00	0.00
	of which: Shares	2184.69	2184.69
	of which: Debentures & Bonds	14000.70	14000.70
	of which: Subsidiaries / Joint Ventures / Associates	1765.24	2080.00
	of which: Others (Commercial Papers, Mutual Funds etc.)	45517.85	45517.85
iii	Loans and advances	740862.30	740862.30
	of which: Loans and advances to banks	136.15	136.15
	of which: Loans and advances to customers	740726.15	740726.15

iv	Fixed assets	4923.44	4923.44
v	Other assets	55402.62	55402.62
	of which: Goodwill and intangible assets	2.58	2.58
	of which: Deferred tax assets	887.77	887.77
vi	Goodwill on consolidation		
vii	Debit balance in Profit & Loss account		
	Total Assets	1154857.35	1155172.11

TABLE DF-12		(Amount in ₹ Mn.)		
Composition of Capital: Reconciliation Requirements Step 2		Balance sheet as in financial statements 31-03-2017	Balance sheet under regulatory scope of consolidation 31-03-2017	Ref No.
A	Capital & Liabilities			
i	Paid-up Capital	3448.09	3448.09	
	of which: Amount eligible for CET1	3448.09	3448.09	a
	of which: Amount eligible for AT1	0.00	0.00	
	Reserves & Surplus	86065.61	86380.36	
	Of which			
	-Statutory Reserve	20670.22	20670.22	b
	-Revaluation Reserve (Part of CET1 at a discount of 55%)	50.09	50.09	c
	-Revaluation reserves at a discount of 55 per cent (T-2) (if not already shown under CET 1)			c i
	-Share premium	25282.75	25282.75	d
	-Capital Reserve	3074.60	3074.60	e
	-Revenue and other reserves	16405.78	16405.78	f
	-Investment fluctuation reserve	1897.20	1897.20	g
	-Investment reserve	235.72	235.72	h
	-Foreign Currency Translation Reserve	-4.27	-4.27	i
	-Special reserve	3669.90	3669.90	j
	-Contingency reserve	301.00	301.00	k
	- Balance in Profit and loss account at the end of the previous financial year	10224.02	10674.27	l
	- Current Financial year profit (After appropriations)	4258.59	4123.09	m
	- Dividend appropriation considered for regulatory purposes	0.00	1867.50	m1
	Minority Interest	0.00	0.00	
	Total Capital	89513.69	89828.45	
ii	Deposits	976620.76	976620.76	
	of which: Deposits from banks	27440.57	27440.57	
	of which: Customer deposits	949180.19	949180.19	
	of which: Other deposits (pl. specify)	0.00	0.00	
iii	Borrowings	63454.93	63454.93	
	of which: From RBI	0.00	0.00	
	of which: From banks	16979.36	16979.36	
	of which: From other institutions & agencies	32647.61	32647.61	
	of which: Others	13827.96	13827.96	

	of which: Capital instruments (Tier II bonds)	0.00	0.00	
	- Recognised under Tier II	0.00	0.00	n
	- Not Recognised under Tier II	0.00	0.00	
iv	Other liabilities & provisions	25267.98	25267.98	
	of which: DTLs related to goodwill	0.00	0.00	
	of which: DTLs related to intangible assets	0.00	0.00	
	of which: Standard asset provision included under Tier II	3982.88	3982.88	o
	Total Liabilities	1154857.35	1155172.11	
B	Assets			
i	Cash and balances with Reserve Bank of India	45782.69	45782.69	
	Balance with banks and money at call and short notice	28763.72	28763.72	
ii	Investments	279122.59	279437.35	
	of which: Government securities	215654.10	215654.10	
	of which: Other approved securities	0.00	0.00	
	of which: Shares	2184.69	2184.69	
	of which: Debentures & Bonds	14000.70	14000.70	
	of which: Subsidiaries / Joint Ventures / Associates	1765.24	2080.00	
	of which: Others (Commercial Papers, Mutual Funds etc.)	45517.85	45517.85	
iii	Loans and advances	740862.30	740862.30	
	of which: Loans and advances to banks	136.15	136.15	
	of which: Loans and advances to customers	740726.15	740726.15	
iv	Fixed assets	4923.44	4923.44	
	of which Intangible assets	2.58	2.58	p
v	Other assets	55402.62	55402.62	
	a Other intangibles (excluding MSRs)	0.00	0.00	r
	b Deferred tax assets	887.77	887.77	
	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	1154857.35	1155172.11	

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	1154857.35
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	314.76
3	Adjustment for fiduciary assets recognized on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	3.04
4	Adjustments for derivative financial instruments	7204.81
5	Adjustment for securities financing transactions (i.e. repos and similar secured lending)	14500.00
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	90828.95
7	Other adjustments	1598.97
8	Leverage ratio exposure	1269301.81

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)	1156771.09
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	3.04
3	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)	1156768.05
Derivative exposures		
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	2249.74
5	Add-on amounts for PFE associated with all derivatives transactions	4955.07
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)	7204.81
Securities financing transaction exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	14500.00
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)	14500.00
Other off-balance sheet exposures		
17	Off-balance sheet exposure at gross notional amount	197737.22
18	(Adjustments for conversion to credit equivalent amounts)	106908.27
19	Off-balance sheet items (sum of lines 17 and 18)	90828.95
Capital and total exposures		
20	Tier 1 Capital	87694.65
21	Total exposures (sum of lines 3,11,16 and 19)	1269301.81
Leverage ratio		
22	Basel III leverage ratio	6.91%

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF THE FEDERAL BANK LIMITED

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of **THE FEDERAL BANK LIMITED** (hereinafter referred to as 'the Holding Company'), its subsidiary and its associate (the Holding Company, the subsidiary and its associate together referred to as the 'the Group'), which comprise the Balance Sheet as at 31 March 2017, the Profit and Loss Account, the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as 'the consolidated financial statements').

Management's Responsibility for the Consolidated Financial Statements

The Holding Company's Board of Directors is responsible for the preparation of these consolidated financial statements in terms of the requirement of the Companies Act, 2013 (hereinafter referred to as 'the Act') that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules 2014, provisions of Section 29 of the Banking Regulation Act, 1949 and the circulars, guidelines and directions issued by the Reserve Bank of India ('RBI') from time to time.

The respective Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Group and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the directors of the Holding Company, as aforesaid.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. While conducting our audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required

to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Holding Company's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Holding Company's Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained by us and the audit evidence obtained by the other auditors in terms of their report referred to in the Other Matter paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated financial statements give the information required by the Act in the manner so required for banking companies and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group as at 31 March 2017, and their consolidated profit and their consolidated cash flows for the year ended on that date.

Other Matters

The consolidated financial statements of the Group for the year ended 31 March 2016 were audited by another auditor who expressed an unmodified opinion on those statements on 30 April 2016.

We did not audit the financial statements of the subsidiary included in the consolidated financial results, whose financial statements reflect total assets of ₹ 101,089 lakhs as at 31 March 2017, total revenues of ₹ 13,458 lakhs for the year ended 31 March 2017, as considered in the consolidated financial results. These financial statements have been audited by other auditor whose report has been furnished to us by the Management and our opinion on the

Statement, in so far as it relates to the amounts and disclosures included in respect of the subsidiary, is based solely on the report of the other auditor

The consolidated financial results also include the share of profit of ₹ 1,355 lakhs for the year ended 31 March 2017, as considered in the consolidated financial results, in respect of an associate, based on its unaudited financial statements. Our opinion on the Statement, in so far as it relates to the amounts and disclosures included in respect of this associate, is based solely on such unaudited financial statements as certified by the Management of that associate. Our opinion on the Statement is not modified in respect of our reliance on the financial statements certified by the Management

Report on Other Legal and Regulatory Requirements

The disclosure required on holdings as well as dealings in Specified Bank Notes (SBNs) during the period from 8 November 2017 to 30 December 2017 as envisaged in notification GSR 308(E) dated 30 March 2017 issued by the Ministry of Corporate Affairs, is not applicable to the Bank. The aforesaid disclosure is disclosed in the audited financial statement of the subsidiary. Refer Note No. 1.20 of Schedule 18 to the consolidated financial statements.

Further, as required by Section 143 (3) of the Act, we further report that:

- (a) we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit of the aforesaid consolidated financial statements;
- (b) in our opinion, proper books of account as required by law relating to the presentation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and the reports of other auditors;
- (c) the consolidated balance sheet, the consolidated profit and loss account and the consolidated cash flow statement dealt with by this report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements;
- (d) in our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 to the extent they are not inconsistent with the accounting policies prescribed by the RBI;
- (e) on the basis of the written representations received from the

directors of the Holding Company as on 31 March 2017 taken on record by the Board of Directors of the Holding Company and the reports of the statutory auditors of its subsidiary companies incorporated in India, none of the directors of the Group is disqualified as on 31 March 2017 from being appointed as a director in terms of Section 164 (2) of the Act;

- (f) with respect to the adequacy of the internal financial controls over financial reporting of the Group and the operating effectiveness of such controls, refer to our separate Report in "Annexure A"; and
- (g) with respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - (i) the consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group – Refer Schedule 12 and Note No. 1.15 of Schedule 18 to the consolidated financial statements;
 - (ii) provision has been made in the consolidated financial statements, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts - Refer Note No. 1.16 of Schedule 18 to the consolidated financial statements;
 - (iii) there has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company, its subsidiary and its associate.

For B S R & Co. LLP
Chartered Accountants
Firm's Registration No: 101248W / W-100022

Venkataramanan Vishwanath
Partner
Membership No: 113156
Mumbai
28 April 2017

For M.M. Nissim & Co.
Chartered Accountants
Firm's Registration No: 107122W

Sanjay Khemani
Partner
Membership No: 044577
Mumbai
28 April 2017

ANNEXURE A TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE CONSOLIDATED FINANCIAL STATEMENTS OF THE FEDERAL BANK LIMITED

Report on the Internal Financial Controls under clause (i) of sub-section 3 of Section 143 of the Companies Act, 2013

In conjunction with our report of the consolidated financial statements of The Federal Bank Limited, its subsidiary and its associate (collectively referred to as 'the Group') as of and for the year ended 31 March 2017, we have audited the internal financial controls over financial reporting of The Federal Bank Limited (hereinafter referred to as 'the Holding Company'), its subsidiary and its associate, which are companies incorporated in India, as of that date.

Management's Responsibility for Internal Financial Controls

The respective Board of Directors of the Holding Company, its subsidiary and its associate are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Group considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting ('the Guidance Note') issued by the Institute of Chartered Accountants of India ('the ICAI'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013 ('the Act').

Auditors' Responsibility

Our responsibility is to express an opinion on the Group's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing ('the Standards'), issued by the ICAI and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls, both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether

adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditors in terms of their reports referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the Group's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the bank are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls over Financial Reporting

Because of the inherent limitations of internal financial controls

over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Holding Company, its subsidiary and its associates have, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2017, based on the internal control over financial reporting criteria established by the Group considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the ICAI.

Other matters

Our aforesaid reports under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting insofar as it relates to its subsidiary company, which is a company incorporated in India, is based on the corresponding report of the auditor of such company and with regard to one of its associate, which is a company incorporated in India, is based on the management certified report.

Our opinion on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Act is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors.

For B S R & Co. LLP

Chartered Accountants
Firm's Registration No: 101248W / W-100022

Venkataramanan Vishwanath

Partner
Membership No: 113156
Mumbai
28 April 2017

For M.M. Nissim & Co.

Chartered Accountants
Firm's Registration No: 107122W

Sanjay Khemani

Partner
Membership No: 044577
Mumbai
28 April 2017

THE FEDERAL BANK LIMITED

CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2017

(₹ in Thousands)

	Schedule	As at 31 March 2017	As at 31 March 2016
CAPITAL AND LIABILITIES			
Capital	1	3,448,087	3,437,890
Reserves and Surplus	2	86,065,607	77,203,364
Deposits	3	976,620,755	791,708,998
Borrowings	4	63,454,927	52,363,166
Other Liabilities and Provisions	5	25,267,976	22,343,904
Total		1,154,857,352	947,057,322
ASSETS			
Cash and Balances with Reserve Bank of India	6	45,782,688	37,769,585
Balances with banks and money at call and short notice	7	28,763,723	16,461,843
Investments	8	279,122,590	249,204,688
Advances	9	740,862,295	584,197,745
Fixed assets	10	4,923,439	5,236,392
Other assets	11	55,402,617	54,187,069
Total		1,154,857,352	947,057,322
Contingent liabilities	12	232,356,853	202,541,221
Bills for collection		25,683,452	15,168,300
Significant Accounting Policies	17		
Notes on Accounts	18		
Schedules referred to above form an integral part of the Consolidated Balance Sheet			

For and on behalf of the Board of Directors

Krishnakumar K
Deputy General Manager

Girish Kumar Ganapathy
Company Secretary

Ashutosh Khajuria
Executive Director & CFO
(DIN:05154975)

Ganesh Sankaran
Executive Director
(DIN:07580955)

K M Chandrasekhar
Chairman
(DIN:06466854)

Shyam Srinivasan
Managing Director & CEO
(DIN : 02274773)

In terms of our report attached

Directors:

For B S R & Co. LLP
Chartered Accountants
Firm's Registration No:
101248W/W-100022

For M. M. Nissim & Co.
Chartered Accountants
Firm's Registration No:
107122W

Nilesh S Vikamsey (DIN : 00031213)
Dilip G Sadarangani (DIN : 06610897)
Harish H Engineer (DIN : 01843009)
Grace Elizabeth Koshie (DIN : 06765216)
Shubhalakshmi Panse (DIN : 02599310)
C Balagopal (DIN : 00430938)

Venkataramanan Vishwanath
Partner
Membership No.113156

Sanjay Khemani
Partner
Membership No. 044577

Place: Kochi
Date : 28 April, 2017

THE FEDERAL BANK LIMITED**CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2017**

(₹ in Thousands)

	Schedule	Year ended 31 March 2017	Year ended 31 March 2016
I. INCOME			
Interest earned	13	87,832,723	78,262,766
Other income	14	10,837,713	8,083,579
Total		98,670,436	86,346,345
II. EXPENDITURE			
Interest expended	15	56,525,794	52,593,516
Operating expenses	16	22,525,008	19,315,975
Provisions and contingencies		11,086,453	9,557,831
Total		90,137,255	81,467,322
III. NET PROFIT FOR THE YEAR		8,533,181	4,879,023
Share in Profit/ (Loss) of Associate		135,493	(14,837)
IV. CONSOLIDATED NET PROFIT ATTRIBUTABLE TO GROUP		8,668,674	4,864,186
Balance in Profit and Loss Account brought forward from previous year		10,224,025	10,494,689
V. AMOUNT AVAILABLE FOR APPROPRIATION		18,892,699	15,358,875
VI. APPROPRIATIONS			
Transfer to Revenue Reserve		1,314,286	454,011
Transfer to Statutory Reserve		2,076,971	1,189,120
Transfer to Capital Reserve		658,459	63,365
Transfer to/(from) Investment Reserve Account		(144,930)	(82,119)
Transfer to Special Reserve		460,000	320,000
Transfer to Reserve under Sec 45 IC of RBI Act		45,060	24,508
Dividend (including tax/cess thereon) pertaining to previous year paid during the year		242	1,511
Proposed dividend (Note 1.1 E of Schedule 18)		-	1,203,289
Tax on proposed dividend (Note 1.1 E of Schedule 18)		-	245,274
Transfer to Share capital pursuant to issue of Bonus shares		-	1,715,891
Balance carried over to Consolidated Balance Sheet		14,482,611	10,224,025
Total		18,892,699	15,358,875
Earnings per Share (Face value of ₹ 2/- each) (‘) (Note 1.6 of Schedule 18)			
Basic		5.04	2.83
Diluted		4.96	2.82
Significant Accounting policies	17		
Notes on Accounts	18		
Schedules referred to above form an integral part of the Consolidated Profit and Loss account			

Krishnakumar K
Deputy General ManagerGirish Kumar Ganapathy
Company Secretary**For and on behalf of the Board of Directors**Ashutosh Khajuria
Executive Director & CFO
(DIN:05154975)Ganesh Sankaran
Executive Director
(DIN:07580955)K M Chandrasekhar
Chairman
(DIN:06466854)Shyam Srinivasan
Managing Director & CEO
(DIN : 02274773)In terms of our report attached
For B S R & Co. LLP
Chartered Accountants
Firm's Reg.No: 101248W/W-100022
Venkataramanan Vishwanath
Partner
Membership No.113156**For M. M. Nissim & Co**
Chartered Accountants
Firm's Registration No: 107122W
Sanjay Khemani
Partner
Membership No. 044577**Directors:**
Nilesh S Vikamsey (DIN : 00031213)
Dilip G Sadarangani (DIN : 06610897)
Harish H Engineer (DIN : 01843009)
Grace Elizabeth Koshie (DIN : 06765216)
Shubhalakshmi Panse (DIN : 02599310)
C Balagopal (DIN : 00430938)Place: Kochi
Date : 28 April, 2017

THE FEDERAL BANK LIMITED
CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH, 2017

(₹ in Thousands)

	Year ended 31 March 2017	Year ended 31 March 2016
Cash Flow from Operating Activities		
Net Profit before taxes	13,555,252	7,370,258
Adjustments for:		
Depreciation on Bank's Property	1,239,133	1,081,723
Depreciation on Investments	242,010	167,434
Amortisation of Premium on Held to Maturity Investments	476,526	353,411
Provision for Non Performing Investments	53,500	634,189
Provision / Charge for Non Performing Assets	4,051,627	5,555,174
Provision on Standard Assets	800,345	302,341
(Profit)/ Loss on sale of fixed assets (net)	(879)	4,495
(Income) / Loss From Associate	(135,493)	14,837
Provision for Restructured assets	67,564	(208,598)
Provision for Other Contingencies	984,829	601,219
	21,334,414	15,876,483
Adjustments for working capital changes:-		
(Increase)/ Decrease in Investments	(7,641,122)	(44,044,385)
(Increase)/ Decrease in Advances	(160,716,178)	(74,461,047)
(Increase)/ Decrease in Other Assets	(1,964,223)	1,069,376
Increase/ (Decrease) in Deposits	184,911,758	83,482,119
Increase/ (Decrease) in Other liabilities and provisions	2,519,896	2,940,156
Direct taxes paid	(4,137,903)	(432,059)
Net Cash Flow from / (Used in) Operating Activities	34,306,642	(15,569,357)
Cash Flow from Investing Activities		
Purchase of Fixed Assets	(950,249)	(1,610,868)
Proceeds from Sale of Fixed Assets	24,950	15,100
(Increase)/ Decrease in Held to Maturity Investments	(22,913,323)	21,500,186
Net Cash generated / (Used in) Investing Activities	(23,838,622)	19,904,418

THE FEDERAL BANK LIMITED**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH, 2017 (CONTE...)**

Cash Flow from Financing Activities		
Proceeds from Issue of Share Capital	10,196	8,693
Proceeds from Share Premium	198,169	215,627
Repayment of Subordinate Debt	(2,000,000)	-
Increase/(Decrease) in Borrowings (Excluding Subordinate Debt)	13,091,761	4,097,367
Dividend Paid (Including Tax on Dividend)	(1,448,805)	(2,269,854)
Net Cash generated from financing Activities	9,851,321	2,051,833
Effect of exchange fluctuation on translation reserve	(4,358)	93
Increase/(Decrease) in Cash & Cash Equivalents	20,314,983	6,386,987
Cash and Cash Equivalents at the beginning of year	54,231,428	47,844,441
Cash and Cash Equivalents at the end of year	74,546,411	54,231,428

Note:

Cash and cash equivalents comprise of cash on hand (including foreign currency notes), Balances with Reserve Bank of India, Balance with Banks and Money at Call and Short notice (Refer schedules 6 and 7 of the Consolidated Balance sheet)

For and on behalf of the Board of Directors

Krishnakumar K
Deputy General Manager

Girish Kumar Ganapathy
Company Secretary

Ashutosh Khajuria
Executive Director & CFO
(DIN:05154975)

Ganesh Sankaran
Executive Director
(DIN:07580955)

K M Chandrasekhar
Chairman
(DIN:06466854)

Shyam Srinivasan
Managing Director & CEO
(DIN : 02274773)

In terms of our report attached

Directors:

For B S R & Co. LLP
Chartered Accountants
Firm's Registration No:
101248W/W-100022

For M. M. Nissim & Co.
Chartered Accountants
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Nilesh S Vikamsey (DIN : 00031213)
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C Balagopal (DIN : 00430938)

Venkataramanan Vishwanath
Partner
Membership No.113156

Sanjay Khemani
Partner
Membership No. 044577

Place: Kochi
Date : 28 April 2017

THE FEDERAL BANK LIMITED

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

(₹ in Thousands)

	As at 31 March 2017	As at 31 March 2016
SCHEDULE 1 - CAPITAL		
Authorised Capital	5,000,000	5,000,000
250,00,00,000 (Previous year 250,00,00,000) Equity Shares of ₹2/- each		
Issued Capital	3,450,789	3,440,592
172,53,94,459 (Previous year 172,02,95,889) Equity Shares of ₹2/- each		
Subscribed, Called-up and Paid-up Capital	3,448,091	3,437,894
172,40,45,414 (Previous year 171,89,46,844) Equity Shares of ₹2/-each		
Less: Calls in arrears	4	4
Total	3,448,087	3,437,890
Also refer Note 1.1 of Schedule 18		

THE FEDERAL BANK LIMITED

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

(₹ in Thousands)

	As at 31 March 2017	As at 31 March 2016
SCHEDULE 2 - RESERVES AND SURPLUS		
I. Statutory Reserve		
Opening balance	18,593,244	17,404,124
Additions during the year	2,076,971	1,189,120
	20,670,215	18,593,244
II. Capital Reserves		
(a) Revaluation Reserve		
Opening balance	50,091	50,091
Deductions during the year	-	-
	50,091	50,091
(b) Others		
Opening balance	2,416,138	2,352,773
Additions during the year*	658,459	63,365
	3,074,597	2,416,138
	3,124,688	2,466,229
III. Share premium		
Opening balance	25,084,585	24,868,958
Additions during the year#	198,169	215,627
	25,282,754	25,084,585
IV. Revenue and Other Reserves		
a) Revenue Reserve		
Opening Balance	14,971,562	14,517,551
Additions during the year	1,314,286	454,011
Deductions during the year	-	-
	16,285,848	14,971,562
b) Other Reserves		
Investment Fluctuation Reserve		
Opening Balance	1,897,200	1,897,200
Additions during the year	-	-
	1,897,200	1,897,200
c) Special Reserve (As per section 36(1)(viii) of Income Tax Act)		
Opening balance	3,209,900	2,889,900
Addition during the year	460,000	320,000
	3,669,900	3,209,900
V. Investment Reserve Account		
Opening balance	380,651	462,770
Addition during the year	-	-
Deductions during the year	144,930	82,119
	235,721	380,651

THE FEDERAL BANK LIMITED

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

	As at 31 March 2017	As at 31 March 2016
VI. Foreign Currency Translation Reserve		
Opening Balance	93	-
Additions during the year [Refer Schedule 17 (5.5)]	(4,358)	93
	(4,265)	93
VII. Contingency Reserve		
Opening balance	301,003	301,003
	301,003	301,003
VIII. Reserve Fund		
Opening balance	73,839	49,331
Addition during the year	45,060	24,508
	118,899	73,839
IX. General Reserve		
Opening balance	1,033	1,033
	1,033	1,033
X. Balance in Consolidated Profit and Loss Account	14,482,611	10,224,025
Total	86,065,607	77,203,364

** - Includes Profit appropriated to Capital Reserve (net of applicable taxes and transfer to statutory reserve) on Gain on sale of Held to Maturity Investments ₹ 658,459 Thousands (Previous year ₹ 63,365 Thousands)

- Represents amount received on exercise of Employee stock options

THE FEDERAL BANK LIMITED

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

(₹ in Thousands)

	As at 31 March 2017	As at 31 March 2016
SCHEDULE 3 - DEPOSITS		
A. I. Demand Deposits		
i. From Banks	1,301,173	1,313,810
ii. From Others	55,225,729	44,990,025
	56,526,902	46,303,835
II. Savings Bank Deposits	263,976,655	214,222,059
III. Term Deposits		
i. From Banks	18,258,525	5,139,728
ii. From Others	637,858,673	526,043,376
	656,117,198	531,183,104
Total	976,620,755	791,708,998
B. I. Deposits of branches in India	976,620,755	791,708,998
II. Deposits of branches outside India	-	-
Total	976,620,755	791,708,998
SCHEDULE 4 - BORROWINGS		
I. Borrowings in India		
i. Reserve Bank of India	-	29,380,000
ii. Other Banks #	16,979,360	1,689,500
iii. Other institutions and agencies ##	32,647,606	16,694,986
	49,626,966	47,764,486
II. Borrowings outside India	13,827,961	4,598,680
Total	63,454,927	52,363,166
Secured borrowings included in I and II above	13,446,058	8,838,182
# Borrowings from other banks include Subordinated Debt of ₹ NIL (Previous Year ₹ 322,000 Thousands) in the nature of Non Convertible Debentures (included in Tier II capital).		
## Borrowings from other Institutions and agencies include Subordinated Debt of ₹ NIL (Previous Year ₹ 1,678,000 Thousands) in the nature of Non Convertible Debentures (included in Tier II capital).		
SCHEDULE 5 - OTHER LIABILITIES AND PROVISIONS		
I. Bills Payable	68,464	93,265
II. Inter - office adjustments (Net)	3,109,610	2,149,956
III. Interest accrued	3,152,044	2,324,723
IV. Others (including provisions)*	18,937,858	17,775,960
Total	25,267,976	22,343,904
*Includes :-		
(a) Contingent provision against standard assets	3,982,876	3,182,536
(b) Proposed Dividend (Refer Note 1.1 E of Schedule 18)	-	1,203,289
(c) Tax on Proposed Dividend (Refer Note 1.1 E of Schedule 18)	-	245,274

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

(₹ in Thousands)

	As at 31 March 2017	As at 31 March 2016
SCHEDULE 6 - CASH AND BALANCES WITH RESERVE BANK OF INDIA		
I. Cash in hand (including foreign currency notes)	6,230,243	5,601,923
II. Balance with Reserve Bank of India		
i. in Current Accounts	39,552,445	32,167,662
ii. in Other Accounts	-	-
Total	45,782,688	37,769,585
SCHEDULE 7 - BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE		
I. In India		
i. Balances with banks		
a. in Current Accounts	1,284,340	4,632,159
b. in Other Deposit Accounts	405,000	507,000
ii. Money at call and short notice		
a. With Banks	-	-
b. With other institutions	14,500,000	-
Total	16,189,340	5,139,159
II. Outside India		
i. in Current Accounts	1,904,170	390,609
ii. in Other Deposit Accounts	10,394,600	10,932,075
iii. Money at call and short notice	275,613	-
Total	12,574,383	11,322,684
Grand Total (I and II)	28,763,723	16,461,843

THE FEDERAL BANK LIMITED

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

(₹ in Thousands)

	As at 31 March 2017	As at 31 March 2016
SCHEDULE 8 - INVESTMENTS		
I. Investments in India in :		
i. Government Securities ##	215,654,105	199,419,703
ii. Other approved Securities	-	-
iii. Shares	2,175,944	1,554,363
iv. Debentures and Bonds	14,076,123	16,990,389
v. Joint Venture \$	1,765,239	1,629,746
vi. Others @	45,442,429	29,603,955
Total	279,113,840	249,198,156
II. Investments outside India- Shares	8,750	6,532
Grand Total (I and II)	279,122,590	249,204,688
Gross Investments		
In India	280,481,856	250,269,647
Outside India	9,344	8,141
	280,491,200	250,277,788
Depreciation/ Provision for Investments		
In India	1,368,016	1,071,491
Outside India	594	1,609
	1,368,610	1,073,100
Net Investments		
In India	279,113,840	249,198,156
Outside India	8,750	6,532
	279,122,590	249,204,688

Securities costing ₹ 74,435,550 Thousands (Previous Year ₹ 41,341,696 Thousands) pledged for avilment of fund transfer facility, clearing facility and margin requirements

\$ represents investment accounted as an associate in line with AS -23 , Accounting of Investments in Associates in Consolidated Financial Statements , prescribed under Section 133 of the Companies Act, 2013 [Refer Schedule 17, Note 2 (iv)]

@ Includes:

(₹ in Thousands)

Particulars	As at 31 March 2017	As at 31 March 2016
Pass through certificates (PTCs)	999,996	63,573
Certificate of Deposits	16,873,221	11,838,290
Commercial Paper	19,880,022	11,092,995
Venture Capital Funds (VCFs)	216,941	381,198
Security Receipts	7,472,064	6,227,571
Others	185	328
	45,442,429	29,603,955

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

(₹ in Thousands)

	As at 31 March 2017	As at 31 March 2016
SCHEDULE 9 - ADVANCES (NET OF PROVISIONS)		
A. i. Bills purchased and discounted	25,607,697	14,041,982
ii. Cash credits, overdrafts and loans repayable on demand	376,114,750	325,693,382
iii. Term loans	339,139,848	244,462,381
Total	740,862,295	584,197,745
B. i. Secured by tangible assets \$	622,800,398	489,535,150
ii. Covered by Bank/Government guarantees #	22,314,387	21,315,370
iii. Unsecured	95,747,510	73,347,225
Total	740,862,295	584,197,745
C. I. Advances in India		
i. Priority Sector	201,355,767	185,293,996
ii. Public Sector	4,149,361	5,252,443
iii. Banks	136,146	74,739
iv. Others	521,453,931	390,821,860
Total	727,095,205	581,443,038
II. Advances outside India	-	-
i. Due from Banks	661,437	-
ii. Due from Others	-	-
a) Bills purchased and discounted	-	-
b) Syndicated Loans	7,124,583	-
c) Others	5,981,070	2,754,707
Total	13,767,090	2,754,707
Grand Total (C I and C II)	740,862,295	584,197,745
\$ Includes Advances against book debts		
# Includes Advances against LCs issued by banks		

THE FEDERAL BANK LIMITED

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

(₹ in Thousands)

	As at 31 March 2017	As at 31 March 2016
SCHEDULE 10 - FIXED ASSETS		
I OWNED ASSETS		
a.Premises #		
Gross Block		
At the beginning of the year	2,339,586	2,297,653
Additions during the year	83,064	41,933
Deductions during the year	-	-
Closing Balance	2,422,650	2,339,586
Depreciation		
As at the beginning of the year	796,102	741,164
Charge for the year	54,391	54,938
Deductions during the year	-	-
Depreciation to date	850,493	796,102
Net Block	1,572,157	1,543,484
b.Other fixed assets		
(including furniture and fixtures)		
Gross Block		
At the beginning of the year	9,738,203	8,162,678
Additions during the year	875,355	1,677,151
Deductions during the year	182,526	101,626
Closing Balance	10,431,032	9,738,203
Depreciation and Impairment Loss		
As at the beginning of the year	6,202,892	5,257,955
Charge for the year \$	1,184,743	1,028,967
Deductions during the year	158,458	84,030
Depreciation to date	7,229,177	6,202,892
Net Block	3,201,855	3,535,311
II. Capital Work in progress (Including Capital Advances)	149,427	157,597
Total (I, II & III)	4,923,439	5,236,392

Includes buildings constructed on leasehold land at different places having original cost of ₹ 663,428 Thousands (Previous Year ₹ 655,643 Thousands) and Written down value of ₹ 500,797 Thousands (Previous Year ₹ 512,528 Thousands) with remaining lease period varying from 59 - 71 years

\$ includes impairment loss of subsidiary company - ₹ NIL Thousands (Previous Year ₹ 2,182 Thousands)

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

(₹ in Thousands)

	As at 31 March 2017	As at 31 March 2016
SCHEDULE 11 - OTHER ASSETS		
I. Inter - office adjustments (net)	-	-
II. Interest accrued	6,519,579	5,054,140
III. Tax paid in advance/tax deducted at source (Net of provision)	5,252,495	6,307,577
IV. Stationery and Stamps	49,489	45,485
V. Non-banking assets acquired in satisfaction of claims@	26,451	15,429
VI. Others#	43,554,603	42,764,438
Total	55,402,617	54,187,069
@ - Includes certain Non-Banking assets acquired in satisfaction of claims which are in the process of being transferred in the Bank's name		
# Includes		
(a) Priority sector shortfall deposits	33,890,279	33,457,992
(b) Deferred Tax Asset (Net)	887,767	581,361
SCHEDULE 12 - CONTINGENT LIABILITIES		
I. Claims against the Bank not acknowledged as debts	3,810,211	1,114,146
II. Liability on account of outstanding forward exchange contracts	164,567,630	142,421,170
III. Guarantees given on behalf of constituents - in India	47,954,495	43,996,473
IV. Acceptances, endorsements and other obligations	14,175,134	13,205,034
V. Other items for which the Bank is contingently liable@	1,849,383	1,804,398
Total	232,356,853	202,541,221
(Refer Note 1.15 of Schedule 18)		
@ - includes ₹ 932,590 Thousands (Previous Year ₹ 773,328 Thousands) being amount transferred to DEAF Cell, RBI and outstanding, as per RBI circular DBOD.No.DEAF Cell. BC.114/30.01.002/2013-14.		

THE FEDERAL BANK LIMITED

SCHEDULES FORMING PART OF CONSOLIDATED THE PROFIT AND LOSS ACCOUNT

(₹ in Thousands)

	Year ended 31 March 2017	Year ended 31 March 2016
SCHEDULE 13 - INTEREST EARNED		
I. Interest/discount on advances/bills	66,561,036	57,481,809
II. Income on investments	17,968,603	17,623,421
III. Interest on balances with Reserve Bank of India and other inter-bank funds	989,331	559,631
IV. Others*	2,313,753	2,597,905
Total	87,832,723	78,262,766
* - Includes interest on Income tax refunds amounting to ₹ 468,420 Thousands (Previous year ₹ 408,492 Thousands) accounted based on Assessment orders received.		
SCHEDULE 14 - OTHER INCOME		
I. Commission, exchange and brokerage	5,760,611	4,407,501
II. Profit on sale of investments (Net)	3,086,508	1,275,129
III. Profit on revaluation of investments (Net)	-	-
IV. Profit / Loss on sale of land, buildings and other assets (Net)	879	(4,495)
V. Profit on foreign exchange transactions (Net)	1,276,827	1,304,908
VI. Income earned by way of dividends etc. from companies in India	-	-
VII. Miscellaneous income	712,888	1,100,536
[Includes Recoveries in assets written off		
₹ 552,080 Thousands (Previous Year ₹ 889,322 Thousands)]		
Total	10,837,713	8,083,579

THE FEDERAL BANK LIMITED

SCHEDULES FORMING PART OF CONSOLIDATED THE PROFIT AND LOSS ACCOUNT

(₹ in Thousands)

	Year ended 31 March 2017	Year ended 31 March 2016
SCHEDULE 15 - INTEREST EXPENDED		
I. Interest on deposits	54,035,975	50,612,589
II. Interest on Reserve Bank of India/Inter bank borrowings	223,887	89,818
III. Others	2,265,932	1,891,109
Total	56,525,794	52,593,516
SCHEDULE 16 - OPERATING EXPENSES		
I. Payments to and provisions for employees	11,893,381	10,742,145
II. Rent, taxes and lighting	2,222,665	2,081,385
III. Printing and stationery	273,319	174,907
IV. Advertisement and publicity	112,003	49,016
V. Depreciation on Bank`s property	1,239,133	1,081,723
VI. Directors' fees, allowances and expenses	22,668	20,377
VII. Auditors' fees and expenses		
(including branch auditors' fees and expenses)	75,806	74,542
VIII. Law charges	119,181	98,510
IX. Postage, Telegrams, Telephones etc	569,232	481,942
X. Repairs and maintenance	621,085	574,392
XI. Insurance	850,206	739,620
XII. Other expenditure*	4,526,329	3,197,416
Total	22,525,008	19,315,975

* - Includes expenditure on Corporate Social Responsibility - ₹ 155,772 Thousands (Previous Year ₹ 124,527 Thousands)

THE FEDERAL BANK LIMITED**SCHEDULE 17 : SIGNIFICANT ACCOUNTING POLICIES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2017****1. Background**

The Federal Bank Limited ('FBL' or the 'Bank') together with its subsidiary (collectively, the 'Group') and associate is a diversified financial services group providing a wide range of banking and financial services including commercial banking, retail banking, project and corporate finance, working capital finance, insurance and treasury products and services. Operations of the Group are spread all over India.

The Bank was incorporated in 1931 as Travancore Federal Bank Limited to cater to the banking needs of Travancore Province. It embarked on a phase of sustained growth under the leadership of Late K.P. Hormis. The bank is governed by Banking Regulation Act, 1949 and other applicable acts/ regulations.

The bank had set up an International Financial Service Centre (IFSC) Banking unit (IBU) in Gujarat International Finance Tec-City (GIFT City) in line with global financial centres of Singapore and Dubai. IBU at Gift city is equivalent to an Offshore Banking unit, for all regulatory purposes.

2. Principles of consolidation

i) The consolidated financial statements relate to the Federal Bank Limited ('FBL' or the 'Bank'), its subsidiary company and the Group's share of loss in its associate. The details of subsidiary and associate entities are given below:

Name of the entity	Relationship	Country of Incorporation	Ownership held by	% of Holding and voting power either directly or indirectly through subsidiary as at	
				31 March, 2017	31 March, 2016
Fedbank Financial Services Limited (FFSL or Subsidiary)	Subsidiary Company	India	The Federal Bank Limited	100	100
IDBI Federal Life Insurance Company Limited (Associate)	Associate	India	The Federal Bank Limited	26	26
			IDBI Bank Limited	48	48
			Ageas Insurance International N.V	26	26

- (ii) The audited financial statements of the subsidiary company and the audited financial statements of the associate have been drawn up to the same reporting date as that of the Bank, i.e. 31 March, 2017.
- (iii) The financial statements of the Bank and its subsidiary company have been combined on a line-by-line basis as per AS 21, *Consolidated Financial statements* by adding together like items of assets, liabilities, income and expenses, after eliminating intra-group balances, intra-group transactions and resulting unrealised profits or losses, unless cost cannot be recovered.
- (iv) The consolidated financial statements include the share of loss of the associate company which have been accounted for using equity method as per AS 23 *Accounting for Investments in Associates in Consolidated Financial Statements*. Accordingly, the share of loss of the associate company has been deducted from the cost of investment.
- (v) The consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the Bank's separate financial statements.
- (vi) Differences in accounting policies followed by the Subsidiary and associate have been reviewed and no adjustments have been made, since the impact of these differences is not significant.

3. Basis of accounting and preparation of consolidated financial statements

The consolidated financial statements of the Bank and its subsidiary (together the 'Group') have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards prescribed under Section 133 of the Companies Act, 2013 and the relevant provisions of the Companies Act, 2013 ("the Act") as applicable and current practices prevailing within the Banking Industry in India. Suitable adjustments are made to align with the format prescribed under the Banking Regulation Act, 1949. The consolidated financial statements have been prepared on accrual basis under historical cost convention, except in the case of interest income on Non- Performing Assets (NPAs) and loans under Scheme for Sustainable Structuring of Stressed

THE FEDERAL BANK LIMITED

SCHEDULE 17 : SIGNIFICANT ACCOUNTING POLICIES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2017 (CONTD...)

Assets (S4A) and Strategic Debt restructuring (SDR) scheme of RBI where it is recognised upon realisation as per RBI guidelines. The accounting policies adopted in the preparation of financial statements are consistent with those followed in the previous year.

4. Use of estimates

The preparation of the consolidated financial statements in conformity with Indian GAAP requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) and the reported income and expenses during the year. The Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ due to these estimates and the differences between the actual results and the estimates are recognised in the periods in which the results are known / materialise.

5. Significant Accounting Policies

Significant Change in Accounting Policy:

Proposed Dividend

In terms of revised Accounting Standard (AS) 4 "Contingencies and Events occurring after the Balance sheet date" as notified by the Ministry of Corporate affairs through amendments to Companies (Accounting Standards) Amendment Rules, 2016 dated March 30, 2016, the Group has not accounted for proposed dividend as a liability as at March 31, 2017. Proposed dividend was however accounted as a liability as at March 31, 2016, in line with existing accounting standard applicable at that time.

5.1. Revenue Recognition

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

Renewal of the loan.

- Income on discounted instruments is recognised over the tenure of the instrument on a straight line basis.
- Guarantee commission, commission on letter of credit and annual locker rent fees are recognised on a straight line basis over the period of contract. Other fees and commission income are recognised when due, except in cases where the bank is uncertain of ultimate collection.
- Dividend on Equity Shares, Preference Shares and on Mutual Funds is recognised as Income when the right to receive the dividend is established.
- Loan Syndication fee is accounted for on completion of the agreed service and when right to receive is established.
- In compromise settlement cases, sacrifice on settlement is accounted upfront.
- Unpaid funded interest on term loans are accounted on realisation as per the guidelines of RBI.
- The difference between the sale price and purchase cost of gold coins, received on consignment basis is included in other income.

5.2. Advances

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

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

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

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

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during the period.

Provision for Unhedged Foreign currency Exposure (UFCE) of borrower entities, is made in accordance with the guidelines issued by RBI, which requires the Bank to ascertain the amount of UFCE, estimate the extent of likely loss and estimate the riskness of unhedged position of those entities. The Provision is classified under Schedule 5 – Other Liabilities in the Balance Sheet

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

The bank transfers advances through inter-bank participation with and without risk. In accordance with the RBI guidelines, in the case of participation with risk, the aggregate amount of the participation issued by the Bank is reduced from advances and where bank is participating, the aggregate amount of participation is classified under advances. In the case of participation without risk, the aggregate amount of participation issued by the Bank is classified under borrowings and where the bank is participating, the aggregate amount of participation is shown as due from banks under advances.

Loss on sale of assets to Asset Reconstruction Companies

The RBI issued guidelines on sale of non-performing advances on February 26, 2014. In accordance with these guidelines, if the sale of non-performing advances is at a price below the net book value, the shortfall is charged to the Profit and Loss Account spread over a period of two years. If the sale is for a value higher than the net book value, the excess provision is credited to the Profit and Loss Account in the year the amounts are received.

5.3. Country risk

In addition to the provisions required to be held according to the asset classification status, provisions are held for individual country exposure (other than for home country). The countries are categorised into seven risk categories namely insignificant, low, moderate, high, very high, restricted and off-credit as per Export Credit Guarantee Corporation of India Limited ("ECGC") guidelines and provision is made in respect of the country where the net funded exposure is 1% or more of the bank's total funded assets.

5.4. Investments**The Bank****Classification**

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

- Held for Trading (HFT);
- Available for Sale (AFS); and
- Held to Maturity (HTM)

Investments which are primarily held for sale within 90 days from the date of purchase are classified as "Held for Trading". As per RBI guidelines, HFT Securities which remain unsold for a period of 90 days are classified as AFS Securities on that date. Investments which the bank intends to hold till maturity are classified as "Held to Maturity".

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

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

Transfer of securities between Categories

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

Acquisition Cost

In determining the acquisition cost of the Investment:

- Transaction costs including brokerage and commission pertaining to acquisition of Investments are charged to the Consolidated Profit and Loss Account.
- Broken period interest is charged to the Consolidated Profit and Loss Account.
- Cost of investments is computed based on the weighted average cost method.

Valuation

The valuation of investments is made in accordance with the RBI Guidelines as follows:

- a) Held for Trading/Available for Sale– Investments classified under the AFS and HFT categories are marked-to-market.

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The market/fair value of quoted investments included in the 'AFS' and 'HFT' categories is the Market Price of the Scrip as available from the trades/ quotes on the stock exchanges or prices declared by Primary Dealers Association of India ('PDAI') jointly with Fixed Income Money Market and Derivative Associations of India ('FIMMDA'), periodically. Net depreciation, if any, within each category of each investment classification is recognised in Consolidated Profit and Loss Account. The net appreciation, if any, under each category of each Investment is ignored. Except in cases where provision for diminution other than temporary is created, the Book value of individual securities is not changed consequent to the periodic valuation of Investments.

- b) Held to Maturity– These are carried at their acquisition cost. Any premium on acquisition of government securities are amortised over the remaining maturity period of the security on a straight line basis. Any diminution, other than temporary, in the value of such securities is provided for.
- c) Treasury Bills and Certificate of Deposits being discounted instruments, are valued at carrying cost.
- d) Units of Mutual Funds are valued at the latest repurchase price/net asset value declared by Mutual Fund.
- e) Market value of investments where current quotations are not available, is determined as per the norms prescribed by the RBI as under:
 - in case of unquoted bonds, debentures and preference shares where interest/dividend is received regularly (i.e. not overdue beyond 90 days), the market price is derived based on the Yield to Maturity (YTM) for Government Securities as published by FIMMDA/ PDAI and suitably marked up for credit risk applicable to the credit rating of the instrument. The matrix for credit risk mark-up for each categories and credit ratings along with residual maturity issued by FIMMDA are adopted for this purpose;
 - in case of bonds and debentures (including Pass Through Certificates or PTCs) where interest is not received regularly (i.e. overdue beyond 90 days), the valuation is in accordance with prudential norms for provisioning as prescribed by RBI;
 - Equity shares, for which current quotations are not available or where the shares are not quoted on the stock exchanges, are valued at break-up value (without considering revaluation reserves, if any) which is ascertained from the company's latest Balance Sheet. In case the latest Balance Sheet is not available, the shares are valued at Re. 1/- per company;
 - Depreciation on equity shares acquired and held by the Bank under SDR scheme is provided over a period of four calendar

quarters from the date of conversion of debt into equity in accordance with the RBI guidelines.

- Units of Venture Capital Funds (VCF) held under AFS category where current quotations are not available are marked to market based on the Net Asset Value (NAV) shown by VCF as per the latest audited financials of the fund. In case the audited financials are not available for a period beyond 18 months, the investments are valued at Re.1/- per VCF. Investment in unquoted VCF after 23rd August, 2006 are categorised under HTM category for the initial period of three years and valued at cost as per RBI guidelines;
- Investment in security receipts are valued as per the Net Asset Value (NAV) obtained from the issuing Reconstruction Company /Securitisation Company.
- f) Investments in subsidiaries/associates are categorised as HTM and assessed for impairment to determine permanent diminution, if any, in accordance with the RBI guidelines.
- g) The Bank follows trade date method of accounting for purchase and sale of investments, except for Government of India and State Government securities where settlement date method of accounting is followed in accordance with RBI Guidelines.
- h) Non Performing Investments are identified and valued based on RBI Guidelines.

Disposal of Investments

- a) Held for Trading and Available for Sale – Profit or loss on sale / redemption is included in consolidated the Profit and Loss account.
- b) Held to Maturity – Profit on sale / redemption of investments is included in the Consolidated Profit and Loss Account and is appropriated to Capital Reserve after adjustments for tax and transfer to statutory Reserve. Loss on sale / redemption is charged to the Consolidated Profit and Loss account.

Repo and Reverse Repo transactions

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

Pursuant to RBI Circular FMRD.DIRD.10/14.03.002/2015-16 dated May 19, 2016, as amended, the bank has considered its repo/ reverse repo transactions under Liquidity Adjustment Facility (LAF) and Marginal Standing Facility (MSF) of RBI as Borrowings/Lending,

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as the case may be. Hitherto, the repo/ reverse repo transactions under Liquidity Adjustment Facility (LAF) and Marginal Standing Facility (MSF) of RBI were included under Investments.

Short Sales

In accordance with the RBI guidelines, the Bank undertakes short sale transactions in Central Government dated securities. The Short Sales positions are reflected in 'Securities Short Sold ('SSS') A/C', specifically created for this purpose. Such short positions are categorized under HFT category. These positions are marked –to-market along with the other securities under HFT Portfolio and resultant mark-to-market gains/losses are accounted for as per the relevant RBI guidelines for valuation of Investments discussed earlier.

The Subsidiary

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

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

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

5.5. Transactions involving foreign exchange

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

Foreign currency monetary items of domestic operation are translated at the closing exchange rates notified by Foreign Exchange Dealer's Association of India (FEDAI) as at the Balance sheet date and the resulting net valuation profit or loss is recognized in the Consolidated profit and loss account.

Both Monetary and Non- Monetary foreign currency Assets and liabilities of Non- Integral Foreign Operations are translated at closing exchange rates notified by FEDAI at the balance sheet date and the resulting profit/loss arising from exchange differences are accumulated in Foreign currency translation Reserve until remittance or the disposal of the net investment in the non-

integral foreign operations in accordance with AS-11.

Foreign exchange spot and forward Contracts (Other than Foreign exchange swaps taken to hedge Federal Rupee plus deposits denominated in JPY) outstanding as at the Balance Sheet date are revalued at the closing Spot and Forward Rates respectively as notified by FEDAI and at interpolated rates for contracts of interim maturities. For valuation of contracts having longer maturities i.e greater than one year, the forward points (for rates/tenures not published by FEDAI) are obtained from Reuters for valuation of the FX Deals. As directed by FEDAI to consider profit or loss on present value basis, the forward profit or loss on the deals are discounted till the valuation date using the discounting yields. The resulting profit or loss on valuation is recognised in the Consolidated Profit and Loss Account.

Foreign exchange swaps taken to hedge Federal Rupee plus deposits denominated in JPY are translated at the prevailing spot rate at the time of swap. The Premium/ Discount on the swap arising out of the difference in the exchange rate of the swap date and maturity date of the underlying forward exchange contract is amortised over the period of the swap and the same is recognised in the Consolidated Profit and Loss Account.

Contingent liabilities on account of foreign exchange contracts, guarantees, letters of credit, acceptances and endorsements are reported at closing rates of exchange notified by FEDAI as at the Balance Sheet date.

5.6. Derivative transactions

The Bank recognises all derivative contracts at fair value, on the date on which the derivative contracts are entered into and are re-measured at fair value as at the Balance sheet or reporting dates. Derivatives are classified as assets when the fair value is positive (Positive marked-to-market) or as liabilities when the fair value is negative (negative marked-to-market). Changes in the fair value of derivatives other than those designated as hedges are recognised in the Consolidated Profit and Loss Account.

5.7. Fixed assets and depreciation

Fixed assets are carried at cost of acquisition less accumulated depreciation and impairment, if any. Cost includes cost of purchase and all expenditure like freight, duties, taxes and incidental expenses related to the acquisition and installation of the asset.

Capital work-in-progress includes cost of fixed assets that are not ready for their intended use and also includes advances paid to acquire fixed assets.

Depreciation on fixed assets, including amortisation of software, is charged over the estimated useful life of fixed assets on a straight-

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line basis at the rates and manner prescribed in Schedule II of the Companies Act, 2013, except as mentioned below:

- Premises are depreciated under the written down value method, using the same useful life as in Schedule II of the Companies Act, 2013. Improvement to leased Premises are depreciated over 5 years based on technical evaluation.
- Depreciation on premises revalued has been charged on their written-down value including the addition made on revaluation.
- Assets individually costing ₹ 2,000/- or less are fully depreciated in the year of purchase.

Depreciation on assets sold during the year is recognised on a pro-rata basis till the date of sale.

Profit on sale of premises is appropriated to Capital Reserve account in accordance with RBI instructions.

5.8. Impairment of Assets

The carrying values of assets at each balance sheet date are reviewed for impairment, if any indication of impairment exists. If the carrying amount of the assets exceed the estimated recoverable amount, an impairment is recognised for such excess amount. The impairment loss is recognised as an expense in the Profit and Loss Account, unless the asset is carried at revalued amount, in which case any impairment loss of the revalued asset is treated as a revaluation decrease to the extent a revaluation reserve is available for that asset.

The recoverable amount is the greater of the net selling price and their value in use. Value in use is arrived at by discounting the future cash flows to their present value based on an appropriate discount factor.

When there is indication that an impairment loss recognised for an asset (other than a revalued asset) in earlier accounting periods no longer exists or may have decreased, such reversal of impairment loss is recognised in the Profit and Loss Account, to the extent the amount was previously charged to the Profit and Loss Account. In case of revalued assets such reversal is not recognised.

5.9. Non-Banking Assets

Non-Banking assets acquired in settlement of debts /dues are accounted at the lower of their cost of acquisition or net realisable value.

5.10. Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, balances with Reserve Bank of India and Balances with Other Banks /institutions

and money at call and short notice (including the effect of changes in exchange rates on cash and cash equivalents in foreign currency)

5.11 Lease transactions

Operating Lease

Leases where the lessor effectively retains substantially all the risks and benefits of ownership over the lease term are classified as operating lease. Lease payments for assets taken on operating lease are recognised as an expense in the Consolidated Profit and Loss Account as per the lease terms.

5.12 Retirement and other employee benefits

The Bank

a) Provident Fund

The contribution made by the bank to The Federal Bank Employees Provident Fund, administered by the trustees is charged to Consolidated Profit and Loss account.

b) Pension Fund

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

Employees who had joined the services of the Bank with effect from April 01, 2010 are covered under Defined Contributory Pension Scheme (DCPS). In respect of such employees the bank contributes 10% of the Basic Pay plus Dearness Allowance and the expenditure thereof is charged to the Consolidated Profit and Loss account.

c) Gratuity

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

THE FEDERAL BANK LIMITED**SCHEDULE 17 : SIGNIFICANT ACCOUNTING POLICIES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2017 (CONTD...)****d) Compensation for absence on Privilege / Sick / Casual Leave and Leave Travel Concession (LTC)**

The employees of the bank are entitled to compensated absence on account of privilege / sick / casual leave as per the leave rules. The bank measures the long term expected cost of compensated absence as a result of the unused entitlement that has accumulated at the balance sheet date based on actuarial valuation and such costs are recognised in the accounts.

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

e) Other employee Benefits

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

The Subsidiary

- a) The company has defined contribution plans for employees comprising of Provident Fund and Employee State Insurance. The contributions paid/payable to these plans during the year are charged to Profit and Loss Account for the year.
- b) The net present value of the obligation for gratuity benefits, which is a defined benefit plan, as determined on independent actuarial valuation, conducted annually using projected unit credit method, as adjusted for unrecognized past services cost, if any, is recognised in the accounts. Actuarial gains and losses are recognised in full in the Profit and Loss Account for the period in which they occur.
- c) The company has a scheme for compensated absences for employees, the liability of which is determined on the basis of an independent actuarial valuation carried out at the end of the year, using the projected unit credit method. Actuarial gains and losses are recognised in full in the Profit and Loss Account for the period in which they occur.

5.13 Debit card reward points

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

5.14 Employee Stock Option Scheme

The Bank has formulated Employee Stock Option Scheme (ESOS) 2010 in accordance with Securities and Exchange Board of India (Employee Stock Option Scheme) Guidelines, 1999. The Scheme provides for grant of options to Employees of the Bank to acquire Equity Shares of the Bank that vest in a graded manner and that are to be exercised within a specified period. In accordance with the SEBI Guidelines and the guidance note on "Accounting for Employee Share based payments" issued by the ICAI, the excess, if any, of the market price of the share preceding the date of grant of the option under ESOS over the exercise price of the option is amortised on a straight line basis over the vesting period.

5.15 Taxation

Income tax expense is the aggregate amount of current tax and deferred tax charge.

Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the applicable tax rates and the provisions of the Income Tax Act, 1961 and other applicable tax laws.

Minimum Alternate Tax (MAT) paid in accordance with the tax laws, which gives future economic benefits in the form of adjustment to future income tax liability, is considered as an asset if there is convincing evidence that the Group will pay normal income tax. Accordingly, MAT is recognised as an asset in the Consolidated Balance Sheet when it is highly probable that future economic benefit associated with it will flow to the Group.

Deferred tax is recognised on timing differences, being the differences between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted as at the reporting date. Deferred tax liabilities are recognised for all timing differences. Deferred tax assets are recognised for timing differences of items other than unabsorbed depreciation and carry forward losses only to the extent that reasonable certainty exists that sufficient future taxable income will be available against which these can be realised. However, if there are unabsorbed depreciation and carry forward of losses and items relating to capital losses, deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that there will be sufficient future taxable income available to realise the assets. Deferred tax assets and liabilities are offset if such items relate to taxes on income levied by the same governing tax laws and the Group has a legally enforceable right for such set off. Deferred tax assets are reviewed at each balance sheet date for their realisability.

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The Group Offsets Deferred Tax Assets and Deferred Tax Liabilities, and advance Income tax and provision for tax, if it has a legally enforceable right and these relate to taxes in income levied by the same governing taxation laws.

Current and deferred tax relating to items directly recognised in reserves are adjusted in reserves and not in Consolidated Profit and Loss Account.

5.16 Earnings per Share

The Group reports basic and diluted earnings per share in accordance with AS 20, Earnings per Share, as prescribed under Section 133 of the Companies Act, 2013. Basic earnings per share is computed by dividing the net profit after tax by the weighted average number of equity shares outstanding for the year.

Diluted earnings per share reflect the potential dilution that could occur if securities or other contracts to issue equity shares were exercised or converted during the year. Diluted earnings per share is computed using the weighted average number of equity shares and dilutive potential equity shares outstanding at the year end.

5.17 Share issue expenses

Share issue expenses are adjusted from Share Premium Account in terms of Section 52 of the Companies Act, 2013.

5.18 Segment information

The disclosure relating to segment information is in accordance with the guidelines issued by RBI.

5.19 Provisions, contingent liabilities and contingent assets

A provision is recognised when the Group has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions (excluding retirement benefits) are not discounted to its present value and are determined based on best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates.

A disclosure of contingent liability is made when there is:

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

of the amount of the obligation cannot be made.

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

5.20 Corporate Social Responsibility

Spends towards corporate social responsibility, in accordance with Companies Act, 2013 are recognised in the Consolidated Profit and Loss Account.

5.21 CENVAT Credit

Service tax input credit is accounted for in the books within the time limit prescribed under CENVAT Credit Rules, 2004, as amended.

5.22 Priority Sector Lending Certificates (PSLC)

The Bank vide RBI circular FIDD.CO.Plan.BC.23/ 04.09.01/2015-16 dated April 7, 2016 trades in priority sector portfolio by selling or buying PSLC. There is no transfer of risks or loan assets in these transactions. The fee paid for purchase of the PSLC is treated as an 'Expense' and the fee received from the sale of PSLCs is treated as 'Other Income'.

THE FEDERAL BANK LIMITED**SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2017**

Amounts in Notes forming part of the Consolidated Financial Statements for the year ended 31 March, 2017 are denominated in Rupees Crore to conform to extant RBI guidelines

1.1 Share Capital:**A. Issue of Bonus Shares**

During the year ended March 31, 2016 the Bank had issued Bonus Shares in the Ratio of 1:1 for Shares held as on the record date of July 9, 2015. Pursuant to the above 85,79,45,206 fully paid up Equity Shares had been allotted by the bank as bonus shares and One Global Depository share (GDS) had been issued as bonus for every GDS held to the existing holders as on the record date. Consequently, as per the extant ESOS 2010 Scheme bonus options had been provided to the existing ESOS option holders and the exercise price had been adjusted accordingly. The earnings per share have been adjusted for previous year in accordance with Accounting Standard 20, Earnings per share.

B. Subscribed and paid-up capital includes:

- (i) 16,590 shares of ₹ 2/- each (Previous Year 16,590 shares of ₹ 2/- each) issued for consideration other than cash
- (ii) 3,12,05,861 underlying equity shares of ₹ 2/- each (Previous Year 2,80,49,968 equity shares of ₹ 2/- each) held by custodian on behalf of holders of Global Depository Receipts (GDRs)
- (iii) 50,98,570 ESOS shares of ₹ 2/- per share (Previous year 57,61,133 shares of ₹ 2/- Per share) allotted under ESOS 2010.
- (iv) 85,79,45,206 bonus shares were issued in the ratio of 1:1 during Financial year 2015-16.

C. The following allotments are kept pending following orders from various courts

- i) Allotment of 6,530 shares of ₹ 2/- each (Previous year 6,530 shares of ₹ 2/- each) pertaining to the Right issue of 1993 issued at premium of ₹ 5/- per share
- ii) 2,62,100 shares of ₹ 2/- each (Previous year 2,62,100 shares of ₹ 2/- per share) pertaining to the Rights issue of 1996 issued at a premium of ₹ 28/- per Share
- iii) 10,80,415 equity shares of ₹ 2/- each (Previous year 10,80,415 shares of ₹ 2/- per share), at a premium of ₹ 48/- per share pertaining to Rights issue of 2007

Issue of certificates/credit in demat account in respect of the following Bonus issues are kept in abeyance consequent to injunction orders from various courts.

- a) 4,09,170 shares of ₹ 2/- each (Previous year 4,09,170 shares of ₹ 2/- each) out of the Bonus issue of 2004 and
- b) 6,15,755 bonus shares of ₹ 2/- each (Previous year 6,15,755 bonus shares of ₹ 2/- each), out of the Bonus issue of 2015.

D. Employee Stock Option Scheme ("ESOS")

- i) Shareholders of the bank had approved Employee Stock Option Scheme (ESOS) through postal ballot, the result of which was announced on December 24, 2010, enabling the Board and/or the "Compensation Committee" to grant such number of equity shares, including options, of the Bank not exceeding 5% of the aggregate number of paid up equity shares of the Bank, in line with the guidelines of SEBI. Pursuant thereto, the Compensation Committee of the bank granted the following options:

	31 March, 2017	31 March, 2016
Outstanding at the beginning of the year	7,61,87,146	8,11,24,186
Surrendered during the year	-	-
Granted during the year*	9,65,000	10,25,000
Exercised during the year	50,98,570	56,36,450
Forfeited/lapsed during the year	2,50,590	3,25,590
Outstanding at the end of the year	7,18,02,986	7,61,87,146
Options exercisable	4,76,17,696	5,27,27,176

THE FEDERAL BANK LIMITED

SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2017 (CONTD...)

* ESOS granted on 29th August 2016, 25th October 2016, 03rd November 2016 and 03rd November 2016 with vesting period of 1,2,3 and 4 years. Exercise period of 5 years and exercise price of ₹ 66.55 per share, ₹ 75.00 per share, ₹ 72.45 per share and ₹ 79.45 per share, respectively.

As per SEBI guidelines the accounting for ESOS can be done either under the 'Intrinsic value basis' or 'Fair value basis'. The Compensation Committee in their meeting dated 10th May, 2012 decided to adopt 'Intrinsic value method' for accounting of ESOS, in terms of the power vested on them as per the resolution of EGM dated 24 December, 2010

The exercise price of the options granted is the same as the market price on the date prior to grant date and hence there is no intrinsic value for the options, which has to be amortized over the vesting period, other than 3,00,000 options granted during the year at an exercise price lower than the Market price.

If "Fair Value Method" had been adopted based on "Black-Scholes pricing model" for pricing and accounting of options, net profit would be lower by ₹9.12 Crore (Previous Year: ₹19.83 Crore)

The modified basic and diluted earnings per share for the year, had the Bank followed Fair Value Method of accounting for ESOS compensation cost, would be ₹ 5.00 and ₹ 4.93 (Previous Year: ₹2.72 and ₹2.69) respectively.

(ii) Dividend paid on shares issued on exercise of stock options

The Bank may allot shares between the Balance Sheet date and record date for the declaration of dividend pursuant to the exercise of any employee stock options. These shares will be eligible for full dividend for the year ended 31 March 2017, if approved at the ensuing Annual General Meeting. Dividend relating to these shares has not been recorded in the current year.

(iii) Dividend (Including tax/cess thereon) appropriation of ₹ 0.02 Crore represent dividend for Financial Year 2015-16 on the shares issued under Employee Stock Options Scheme before the record date, as per shareholders' approval.

E. Proposed Dividend and Tax on Proposed Dividend

In terms of revised Accounting Standard (AS) 4 "Contingencies and Events occurring after the Balance sheet date" as notified by the Ministry of Corporate affairs through amendments to Companies (Accounting Standards) Amendment Rules, 2016, the Bank has not appropriated proposed dividend (including tax) aggregating to ₹ 186.75 Crore from the statement of Profit and loss account for the year ended March 31, 2017, also the same has not been shown as an Other Liabilities.

1.2 Employee Benefits (AS 15)

a) Defined Contribution Plan

The Bank

Provident Fund

Employees, who have not opted for pension plan are eligible to get benefits from provident fund, which is a defined contribution plan. Aggregate contributions along with interest thereon are paid on retirement, death, incapacitation or termination of employment. Both the employee and the Bank contribute a specified percentage of the salary to the Federal Bank Employees 'Provident Fund'. The Bank has no obligation other than the monthly contribution.

New Pension Scheme

As per the industry level settlement dated 27th April, 2010, employees who joined the services of the Bank on or after 1st April, 2010 are not eligible for the existing pension scheme whereas they will be eligible for Defined Contributory Pension Scheme (DCPS) in line with the New Pension Scheme introduced for employees of Central Government. Employee shall contribute 10% of their Basic Pay and Dearness Allowance towards DCPS and the Bank will also make a matching contribution. There is no separate Provident Fund for employees joining on or after 01/04/2010.

The Subsidiary

The company has defined contribution plans for employees comprising of Provident Fund and Employee State Insurance. The contributions paid/payable to these plans during the year are charged to Profit and Loss Account for the year.

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The Group Makes Provident Fund, Employee State Insurance Scheme Contributions and Defined Contributory Pension Scheme for Qualifying Employees. Under the schemes, the Group is required to contribute a specified percentage of the payroll costs to fund the benefits. The Group recognised ₹1.58 Crore (Previous year: ₹ 1.73 Crore) for provident fund contributions, ₹ 0.14 Crore (Previous Year ₹ 0.14 Crore) for Employee State Insurance Scheme Contributions and ₹ 21.64 Crore (Previous year: ₹ 18.95 Crore) for DCPS in the consolidated Profit and Loss Account. The Contributions payable to these plans by the group are at the rates specified in the Rules of the Schemes.

b) Defined benefit plan

The Group offers the following employee benefit schemes to its employees:

- i. Gratuity
- ii. Superannuation/Pension

Gratuity***The Bank***

The Bank provides for Gratuity, a defined benefit retirement plan (the "Gratuity Plan") covering the eligible employees. The Gratuity Plan provides a lump sum payment to vested employees on retirement, death, incapacitation or termination of employment, of an amount based on the respective employees' salary and the tenure of employment. Vesting occurs upon completion of five years of service as per Payment of Gratuity Act, 1972 and its amendment with effect from 24th May, 2010 or as per the provisions of the Federal Bank Employees' Gratuity Trust Fund Rules / Bi-partite Award provisions. Liabilities with regard to the Gratuity Plan are determined by Actuarial valuation as on the Balance Sheet date, based upon which, the Bank contributes all the ascertained liabilities to the Federal Bank Employees' Gratuity Trust Fund (the "Trust"). Trustees administer contributions made to the Trust and contributions are invested in specific investments as permitted by law.

The Subsidiary

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

Superannuation / Pension***The Bank***

The Bank provides for monthly pension, a defined benefit retirement plan (the "pension plan") covering eligible employees. The pension plan provides a monthly pension after retirement of the employees till death and to the family after the death of the pensioner. The monthly pension is based on the respective employees' salary and the tenure of employment. Vesting occurs upon completion of ten years of service. The Bank pays the monthly pension by purchasing annuities from Life Insurance Corporation of India (LIC). Liabilities with regard to the pension plan are determined by actuarial valuation as on the Balance Sheet date, based upon which, the Bank contributes all the ascertained liabilities to the Federal Bank (Employees') Pension Fund (the "Trust"). Trustees administer contributions made to the Trust and contributions are invested in specific investments as permitted by law.

The following table as furnished by Actuary sets out the funded status of gratuity / pension plan and the amount recognized in the Group's financial statements as at March 31, 2017.

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SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2017 (CONTD...)
i) Change in benefit obligations

(₹ in Crore)

Particulars	Gratuity Plan				Pension Plan	
	FBL		FFSL		FBL	
	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16
Projected benefit obligation, beginning of the year	246.09	209.34	0.19	0.08	637.50	587.48
Service Cost	15.66	13.82	0.26	0.18	79.26	57.70
Interest cost	17.14	15.29	0.01	*	41.42	40.17
Actuarial (gain)/ loss	16.64	44.07	0.06	(0.06)	149.62	122.99
Benefits paid	(35.05)	(36.43)	(0.06)	(0.01)	(170.42)	(170.84)
Projected benefit obligation, end of the year	260.48	246.09	0.46	0.19	737.38	637.50

Asterisk denote figure below ₹1 Lakh

ii) Change in plan assets

(₹ in Crore)

Particulars	Gratuity Plan				Pension Plan	
	FBL		FFSL		FBL	
	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16
Plan assets at beginning of the year at fair value	225.66	223.52	-	-	578.27	544.40
Expected return on plan assets	19.84	18.55	-	-	48.57	47.58
Actuarial gain/(loss)	0.69	(0.65)	-	-	4.69	(0.58)
Employer's Contributions	50.40	20.67	-	-	285.22	157.71
Benefits paid	(35.05)	(36.43)	-	-	(170.42)	(170.84)
Plan assets at end of the year, at fair value	261.54	225.66	-	-	746.33	578.27

iii) Reconciliation of present value of the obligation and the fair value of the plan assets

(₹ in Crore)

Particulars	Gratuity Plan				Pension Plan	
	FBL		FFSL		FBL	
	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16
Fair value of plan assets at the end of the year	261.54	225.66	-	-	746.33	578.27
Present value of the defined benefit obligations at the end of the year	260.48	246.09	0.46	0.19	737.38	637.50
Liability/ (Asset) recognized in the Consolidated Balance Sheet	(1.06)	20.43	0.46	0.19	(8.95)	59.23

iv) Gratuity/Pension cost for the year ended 31 March, 2017

(₹ in Crore)

Particulars	Gratuity Plan				Pension Plan	
	FBL		FFSL		FBL	
	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16
Service cost	15.66	13.82	0.26	0.18	79.26	57.70
Interest cost	17.14	15.29	0.01	*	41.42	40.17
Expected return on plan assets	(19.84)	(18.55)	-	-	(48.57)	(47.58)
Actuarial (gain)/loss	15.95	44.72	0.06	(0.06)	144.93	123.57
Employee Cost	28.92	55.28	0.33	0.12	217.04	173.86
Amortisation Cost	-	-	-	-	-	-
Net Cost Debit to Consolidated Profit and Loss Account	28.92	55.28	0.33	0.12	217.04	173.86
Actual return on plan assets	20.52	17.90	-	-	53.26	47.00

Asterisk denote figure below ₹ 1 Lakh

THE FEDERAL BANK LIMITED

SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2017 (CONTD...)

V) Investment details of plan assets

(₹ in Crore)

Particulars	Gratuity Plan				Pension Plan	
	FBL		FFSL		FBL	
	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16
Central and state Government bonds	-	7.13	NA	NA	-	17.82
Other debt securities	5.35	16.35	NA	NA	48.23	66.04
Balance in Saving bank account with the Bank	4.58	0.66	NA	NA	42.84	3.21
Net current assets	0.11	0.82	NA	NA	1.62	3.18
Balance with LIC #	251.50	200.70	NA	NA	653.64	488.02
Total	261.54	225.66	NA	NA	746.33	578.27

NA – Not Applicable.

- In the absence of detailed information regarding plan assets which is funded with Life Insurance Corporation of India, the composition of each major category of plan assets, the percentage or amount for each category to the fair value of plan assets has not been disclosed.

vi) Experience adjustments

i) Gratuity Plan

a) FBL

(₹ in Crore)

Particulars	31 March 2017	31 March 2016	31 March 2015	31 March 2014	31 March 2013	31 March 2012
Defined Benefit Obligations	260.48	246.09	209.34	201.26	240.13	225.25
Plan Assets	261.54	225.66	223.52	230.83	221.67	198.87
Surplus/[Deficit]	1.06	(20.43)	14.18	29.57	(18.46)	(26.38)
Experience adjustments on Plan Liabilities [Gain/(Loss)]	2.18	(46.00)	(6.31)	(5.74)	17.02	0.03
Experience Adjustments on Plan Assets [Gain/ (Loss)]	(0.42)	(1.97)	1.19	1.76	22.33	0.64

b) FFSL

(₹ in Crore)

Particulars	31 March 2017	31 March 2016	31 March 2015	31 March 2014	31 March 2013	31 March 2012
Defined Benefit obligations	0.46	0.19	0.08	0.15	0.08	0.04
Plan Assets	Nil	Nil	Nil	Nil	Nil	Nil
Surplus/[Deficit]	(0.46)	(0.19)	(0.08)	(0.15)	(0.08)	(0.04)
Experience adjustments on Plan Liabilities [Gain/ (Loss)]	0.03	0.10	(0.03)	(0.02)	0.04	(0.02)
Experience adjustments on Plan Assets [Gain/(Loss)]	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable

ii) Pension Plan

FBL

(₹ in Crore)

Particulars	31 March 2017	31 March 2016	31 March 2015	31 March 2014	31 March 2013	31 March 2012
Defined Benefit Obligations	737.38	637.50	587.48	531.78	584.12	598.76
Plan Assets	746.33	578.27	544.40	416.25	444.17	422.62
Surplus/[Deficit]	8.95	(59.23)	(43.08)	(115.53)	(139.95)	(176.14)
Experience adjustments on Plan Liabilities [Gain/(Loss)]	93.67	(142.49)	(79.75)	(8.18)	(1.22)	450.11
Experience adjustments on Plan Assets [Gain/(Loss)]	6.66	0.18	2.19	3.03	1.38	0.96

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vii) Assumptions

(₹ in Crore)

Particulars	Gratuity Plan				Pension Plan	
	FBL		FFSL		FBL	
	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16
Discount rate	7.50%	8.00%	6.69%	7.83%	7.50%	8.00%
Annuity rate per Rupee	-	-	-	-	131.72338	126.18297
Salary escalation rate	5.00%	5.00%	8.50%	7.75%	5.00%	5.00%
Estimated rate of return on plan assets	8.79%	8.30%	-	-	8.40%	8.74%
Attrition Rate	3.00%	3.00%	Not Available	Not Available	3.00%	3.00%
Mortality Table	IALM 2006-08 Ultimate	IALM 2006-08 Ultimate	IALM 2006-08 Ultimate	IALM 2006-08 Ultimate	IALM 2006-08 Ultimate	IALM 2006-08 Ultimate

The estimates of future salary increases considered in actuarial valuation take account of inflation, seniority, promotion and other relevant factors.

The expected rate of return on plan assets is based on the average long-term rate of return expected on investments of the Fund during the estimated term of the obligations.

As the contribution expected to be paid to the defined benefit plans during the annual period beginning after the balance sheet date is based on various internal / external factors, a best estimate of the contribution is not determinable.

(c) Leave Encashment/ Sick Leave / Leave Travel Concession / Unavailed Casual Leave
The Bank

The employees of the Bank are entitled to compensated absence. The employees can carry forward a portion of the unutilised accrued compensated absence and utilise it in future periods or receive cash compensation at retirement or termination of employment for the unutilised accrued compensated absence for a maximum of 240 days. The Bank records an obligation for compensated absences in the period in which the employee renders the services that increase this entitlement. The Bank measures the expected cost of compensated absence as the additional amount that the Bank expects to pay as a result of the unused entitlement that has accumulated at the balance sheet date based on actuarial valuations.

A sum of ₹24.64 Crore (Previous year: ₹ 2.72 Crore) has been provided towards the above liabilities in accordance with AS 15 based on actuarial valuation.

The Subsidiary

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

The Actuarial liability of compensated absences of accumulated privilege, sick, casual leaves and leave travel concession of the employees of the Group is given below:

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(₹ in Crore)

Particulars	As at 31 March, 2017		As at 31 March, 2016	
	FBL	FFSL	FBL	FFSL
Privilege leave	152.13	0.28	131.15	0.19
Sick leave	25.05	-	20.97	-
Leave Travel Concession	12.29	-	13.18	-
Casual Leave	1.56	-	1.09	-
Total actuarial liability	191.03	0.28	166.39	0.19
Assumptions				
Discount rate	7.50%	6.69%	8.00%	7.83%
Salary escalation rate	5.00%	8.50%	5.00%	7.75%
Attrition Rate	3.00%	Not Available	3.00%	Not Available

The discount rate is based on the prevailing market yields of Government of India securities as at the Balance Sheet date for the estimated term of the obligations.

The estimate of future salary increases considered, takes into account the inflation, seniority, promotion, increments and other relevant factors.

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

1.3 Segment Reporting (AS 17)

A. Business Segments

Business of the Group is divided into four segments viz. Treasury, Corporate or Wholesale Banking, Retail Banking and other banking operations. The principal activities of these segments and income and expenses structure are as follows:

Treasury

Treasury operations include trading and investments in Government and corporate debt instruments, equity and mutual funds, derivative trading and foreign exchange operations on proprietary account and for customers.

The income of this segment primarily consists of earnings from the investment portfolio of the bank, gains and losses on trading operations. The principal expense of the segment consists of interest expense on funds borrowed/utilized and other allocated overheads.

Corporate/Wholesale Banking:

This segment provides loans and other banking services to Corporate and other clients where value of individual exposure to the Clients exceeds ₹5 Crore as defined by RBI. Revenue of this segment consists of interest and fees earned on loans to such customers and charges and fees earned from other banking services. Expenses of this segment primarily consist of interest expense on funds utilized and allocated overheads

Retail banking:

Retail banking constitutes lending and other banking services to individuals/small business customers, other than corporate/wholesale banking customers, identified on the basis of RBI guidelines.

Revenue of this segment consists of interest earned on loans made to such customers and charges /fees carried from other banking services to them. The principal expenses of the segment consist of interest expenses on funds borrowed and other expenses.

Other Banking Operations

This segment includes parabanking activities like third party product distribution and other banking transactions, not covered under any

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of the above segments. The income from such services and associated costs are disclosed in this segment.

The operations of Subsidiary has been classified under 'Retail Banking'.

The following table sets forth, for the periods indicated, the business segment results

As on 31 March 2017

(₹ in Crore)

Business Segments	Treasury	Corporate/Whole sale Banking	Retail Banking	Other Banking Operations	Total
Revenue	2,496.34	3,006.71	4,211.34	152.65	9,867.04
Result (Net of provisions)	395.14	196.41	723.46	56.03	1,371.04
Unallocated expense					(29.07)
Operating profit (PBT)					1,341.97
Income taxes					(488.66)
Share of Profit of associate					13.55
Extraordinary profit/loss					-
Net Profit					866.86
OTHER INFORMATION					
Segment Assets	38,968.80	31,384.61	42,957.50	18.54	1,13,329.45
Unallocated assets					2,156.28
Total assets					1,15,485.73
Segment liabilities	36,188.65	29,501.51	40,426.07	-	1,06,116.23
Unallocated liabilities					418.14
Total liabilities					1,06,534.37

As on 31 March 2016:

(₹ in Crore)

Business Segments	Treasury	Corporate/Whole sale Banking	Retail Banking	Other Banking Operations	Total
Revenue	2,281.93	2,360.94	3,887.92	103.84	8,634.63
Result (Net of provisions)	158.51	18.14	513.45	73.85	763.95
Unallocated expense					(25.44)
Operating profit (PBT)					738.51
Income taxes					(250.61)
Share of Profit of associate					(1.48)
Extraordinary profit/loss					-
Net Profit					486.42
OTHER INFORMATION					
Segment Assets	33,510.29	24,836.67	33,880.24	26.56	92,253.76
Unallocated assets					2451.96
Total assets					94,705.72
Segment liabilities	30,886.09	23,376.84	31,939.63	-	86,202.56
Unallocated liabilities					439.04
Total liabilities					86,641.60

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The Business operations of the Bank are largely concentrated in India and for purpose of Segmental reporting, the bank considered to operate only in domestic segment, though the bank has its operation in International Finance Service Centre (IFSC) Banking Unit in Gujarat International Finance Tec-city (GIFT). The business conducted from the same is considered as a part of Indian operations.

Segment information is provided as per the MIS available for internal reporting purposes, which include certain estimates/ assumptions. The methodology adopted in compiling and reporting the above information has been relied upon by the auditors.

1.4 Related Party Disclosures (AS 18)**a) Details of Related Parties:**

Name of the Party	Nature of Relationship
IDBI Federal Life Insurance Company Limited	Associate
Sri. Shyam Srinivasan, Managing Director & CEO	Key Management Personnel
Sri. Ashutosh Khajuria, Executive Director & CFO	Key Management Personnel
Sri Ganesh Sankaran , Executive Director (From 04-07-2016)	Key Management Personnel
FedBank Hormis Memorial Foundation	Entity in which KMPs can exercise significant influence

b) Significant transactions with related parties:

(₹ in Crore)

Particulars	Key Management Personnel #	
	31 March 2017	31 March 2016
Remuneration		
Sri. Shyam Srinivasan	1.14	1.12
Sri. Ashutosh Khajuria	0.81	1.02
Sri.Abraham Chacko (Upto 30-04-2015)	-	0.72
Sri Ganesh Sankaran, Executive Director (From 04-07-2016)	0.84	-
Dividend Paid	0.02	0.02

The normal transactions of the Bank with the above persons as constituents are not reckoned for the purpose of disclosure.

No stock options were granted to MD &CEO, Executive Director & CFO Sri. Ashutosh Khajuria after becoming Executive Director during FY 2016-17.

Sri. Ganesh Sankaran, Executive Director was granted 3,00,000 options during FY 2016-17. (Previous Year: Nil)

Note: In accordance with RBI guidelines, details pertaining to the related party transactions, other than transaction with KMPs, have not been provided as there is only one related party in each of the above categories.

1.5 Operating Lease (AS 19):**The Bank**

Lease payments for assets taken on operating lease are recognised as an expense in the Profit and Loss Account as per the lease terms. During the year an amount of ₹ 131.49 Crore (Previous year: ₹ 127.58 Crore) was charged to Profit and loss account.

The Subsidiary

The Company has entered into operating lease arrangement for its Corporate office. The lease is non-cancellable and is for a period of 5 years and may be renewed for further period based on mutual agreement of the parties. The lease agreement provide for an increase in lease payment by 5% for every one year.

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(₹ in Crore)

Particulars	31 March 2017	31 March 2016
Future minimum lease payments:		
- Up to one year	1.20	-
- More than one year and upto five years	3.67	-
- More than five years	-	-
Lease payments recognised in the Statement of Profit and Loss with respect to above mentioned operating lease arrangement	1.26	-

In addition, all other operating lease agreements entered into by the Company are cancellable in nature. Accordingly, the lease rental payments for assets taken on an operating lease ₹3.81 Crore (Previous Year ₹ 5.07) have been recognised as "Rent Paid" in the Statement of Profit and Loss.

1.6 Earnings per Share ('EPS') (AS 20)

Particulars	31 March 2017	31 March 2016
Weighted average number of equity shares used in computation of basic earnings per share (in 000's)	17,20,708	17,16,993
Weighted average number of equity shares used in computation of diluted earnings per share (in 000's)	17,46,587	17,25,591
Nominal Value of share (in ₹)	2	2
Basic earnings per share (in ₹)	5.04	2.83
Diluted earnings per share (in ₹)	4.96	2.82
Earnings used in the computation of basic and diluted earnings per share (₹ in '000)	86,68,674	48,64,184

1.7 Deferred Tax Assets / Liability (AS 22)

The major components of deferred tax assets and deferred tax liabilities are as under:

(₹ in Crore)

Particulars	31 March 2017	31 March 2016
Deferred Tax Liability		
Tax effect of items constituting deferred tax liability:		
(i) Interest accrued but not due	-	145.66
(ii) Depreciation on Investments	101.80	19.52
(iii) Depreciation on Fixed assets	12.66	-
(iv) Special Reserve under Section 36 (1) (viii) of the Income Tax Act, 1961	107.28	91.35
(v) Others	10.23	-
Total - (A)	231.97	256.53
Deferred Tax Asset		
Tax effect of items constituting deferred tax assets:		
(i) Interest/premium paid on purchase of securities	92.70	90.27
(ii) Provision for Standard Assets	136.68	109.45
(iii) Depreciation on Fixed Assets	2.40	3.50
(iv) Others	88.97	111.45
Total - (B)	320.75	314.67
Net Deferred tax liability/ (Asset) (A-B)	(88.78)	(58.14)

Note: The above Net Deferred tax is after adjustment of ₹172.85 Crore from provisions for Income tax to Deferred tax on review and reassessment of deferred tax assets and liabilities during the year

THE FEDERAL BANK LIMITED**SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2017 (CONTD...)****1.8 'Provisions and Contingencies' recognised in the Consolidated Profit and Loss Account include:**

(₹ in Crore)

For the year ended	31 March 2017	31 March 2016
i) Provision towards NPAs	405.16	555.63*
ii) Provision for depreciation Investments (Net)	24.21	16.74
iii) Provision for Non Performing Investments	5.35	63.42
iv) Provision for Standard Assets	80.03	30.23
v) Provision for Taxation	488.66#	250.61
vi) Provision towards present value of sacrifice on restructuring, other contingencies etc.	105.24	39.15
Total	1108.65	955.78

* Net of Floating Provision of ₹ 69.00 Crore withdrawn during the year vide Circular DBR.No.BP.BC.79/21.04.048/2014-15 dated March 30, 2015 issued by the Reserve Bank of India.

₹ 17.98 Crore relating to earlier years.

1.9 Amount of Provisions made for income-tax during the year

(₹ in Crore)

Particulars	2016-17	2015-16
Provision for Income Tax		
a) Current Tax	692.15	346.24
b) Deferred Tax	(203.49)	(95.63)

1.10 Draw Down from Reserves

The Bank has drawn down ₹14.49 Crore from Investment Reserve Account (Previous Year ₹8.21 crore) in accordance with the provisions of RBI guidelines on 'Prudential Norms for Classification, Valuation and Operation of Investment Portfolio by Banks'.

1.11 Details of Penalty imposed by RBI

(₹ in Lakhs)

Particulars	2016-17	2015-16
Penalty imposed on currency chests	0.11	0.16
Penalty imposed for alleged failure in detecting and reporting attempted suspicious transactions related to Cobra post sting operation*	2.00	Nil

* Bank had filed appeal against the order before the Honorable Appellate Tribunal at New Delhi. Despite pendency of the appeal Recovery officer, FIU-IND has demanded the payment of the penalty amount. Hence the amount of Rs 2 lakhs paid on 10.08.16, subject to orders of Appellate Tribunal.

Note: Penalty was imposed by RBI

(a) As per the RBICircular DCM(FNVD) No.776/16.01.15/2015-16 dated August 26,2015 and

(b) Fake Indian Currency Note (FICN) detected in the soiled note remittance.

1.12 Fixed Assets

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

THE FEDERAL BANK LIMITED
SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2017 (CONTD...)

(₹ in Crore)

Particulars	31 March 2017	31 March 2016
Gross Block		
At the beginning of the year	146.94	97.46
Additions during the year	33.58	49.48
Deductions / Adjustments during the year	2.48	-
Closing Balance	178.04	146.94
Depreciation / Amortisation		
At the beginning of the year	97.14	74.78
Charge for the year	27.86	22.36
Deductions during the year	0.96	-
Depreciation to date	124.04	97.14
Net Block	54.00	49.80

B) Revaluation of Fixed Assets

During the year 1995-96, the appreciation of ₹ 9.65Crore in the value of land and buildings consequent upon revaluation by approved valuers was credited to Revaluation Reserve. There has been no revaluation of assets during this year.

1.13 Provisions and Contingencies
a) Movement in provision for frauds included under other liabilities:

(₹ in Crore)

	31 March 2017	31 March 2016
Balance at the beginning of the year	5.82	6.64
Additions during the year	0.72	0.42
Reductions on account of payments during the year	-	-
Reductions on account of reversals during the year	2.49	1.24
Balance at the end of the year	4.05	5.82

b) Movement in provision for debit card reward points:

(₹ in Crore)

	31 March 2017	31 March 2016
Balance at the beginning of the year	1.92	2.25
Provision made during the year	4.02	0.77
Reductions during the year	1.86	1.10
Balance at the end of the year *	4.08	1.92

* The closing provision is based on the actuarial valuation of accumulated debit card reward points. This amount will be utilized towards redemption of the debit card reward points.

c) Movement in provision for other contingencies:

(₹ in Crore)

	31 March 2017	31 March 2016
Balance at the beginning of the year	40.03	145.54
Provision made during the year	25.24	29.23
Reductions during the year	5.21	134.74
Balance at the end of the year	60.06	40.03

THE FEDERAL BANK LIMITED**SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2017 (CONTD...)****d) Movement in floating provision:**

(₹ in Crore)

Particulars	Standard Assets Provisions		NPA Provision	
	2016-17	2015-16	2016-17	2015-16
Opening balance	12.75	12.75	69.18	138.18
Provision made during the year	-	-	-	-
Draw down from provision *	-	-	-	69.00
Closing balance	12.75	12.75	69.18	69.18

* Floating provision has been utilised in accordance with RBI circulars DBOD.No.BP.95/21.04.048/2013-14 dated February 7, 2014 and DBR.No.BP.BC.79/21.04.048/2014-15 dated March 30, 2015.

1.14 Loss on Sale of Non-Performing Assets

During the year ended March 31, 2016, the Bank had assigned certain Non-performing financial assets to Asset Reconstruction Companies. In terms of RBI Master Circular DBR.No.BP.BC.2/21.04.048/2015-16 on Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances dated July 1, 2015, the shortfall arrived at by deducting sale consideration from the Net Book value of the financial assets, amounting to ₹ 122.14 Crore is amortised over a period of two years. Accordingly, the bank has charged to the profit and loss account an amount of ₹ 86.73 Crores for the year ended March 31, 2017 (Previous Year ₹ 35.41 Crores) and there is no unamortised balance carried forward as on March 31, 2017.

1.15 Description of contingent liabilities:**a) Claims against the Group not acknowledged as debts**

These represent claims filed against the group in the normal course of business relating to various legal cases currently in progress. These also include demands raised by income tax and other statutory authorities and disputed by the group.

b) Liability on account of forward exchange and derivative contracts

The Bank enters into Forward exchange contracts on its own account and on behalf of its customers. Forward exchange contracts are commitments to buy or sell foreign currency at a future date at the contracted rate.

c) Guarantees given on behalf of constituents

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

d) Acceptances, endorsements and other obligations

These include documentary credit issued by the Bank on behalf of its customers and bills drawn by the Bank's customers that are accepted or endorsed by the Bank.

e) Other items for which bank is contingently liable

Includes Capital commitments and amount transferred to RBI under the Depositor Education and Awareness Fund (DEAF)

Refer schedule 12 for amounts relating to contingent liability

1.16 Provision for Long Term contracts

The Group has a process whereby periodically all long term contracts (including derivative contracts) are assessed for material foreseeable losses. At the year end, the bank has reviewed and recorded adequate provision as required under any Law/ Accounting Standards for material foreseeable losses on such long term contracts (including derivative contracts) in the books of account and disclosed the same under the relevant notes in the financial statements.

THE FEDERAL BANK LIMITED

SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2017 (CONTD...)

1.17 Small and Micro Industries

Under the Micro, Small and Medium Enterprises Development Act, 2006 which came into force from 2nd October, 2006, certain disclosures are required to be made relating to Micro, Small and Medium enterprises. There have been no reported cases of delays in payments to micro and small enterprises or of interest payments due to delays in such payments. The above is based on the information available with the Bank which has been relied upon by the auditors.

1.18 Additional information on net assets and share of profits of the Bank, its subsidiaries, associates and joint ventures as considered in the Consolidated Financial Statements

31st March, 2017

Name of the entity	Net Assets i.e. total assets minus total liabilities		Share of profit or loss	
	As % of Consolidated Net Assets	Amount (₹ in Crore)	As % of Consolidated Profit or Loss	Amount (₹ in Crore)
Parent: The Federal Bank Limited	99.90%	8,942.38	95.84%	830.79
Subsidiary: Fedbank Financial Services Limited	0.45%	40.46	2.60%	22.53
Associate: IDBI Federal Life Insurance Company Limited	(0.35)%	(31.48)	1.56%	13.55
Total	100.00%	8951.36	100.00%	866.87

31st March, 2016

Name of the entity	Net Assets i.e. total assets minus total liabilities		Share of profit or loss	
	As % of Consolidated Net Assets	Amount (₹ in Crore)	As % of Consolidated Profit or Loss	Amount (₹ in Crore)
Parent: The Federal Bank Limited	100.34%	8091.22	97.79%	475.65
Subsidiary: Fedbank Financial Services Limited	0.22%	17.93	2.52%	12.25
Associate: IDBI Federal Life Insurance Company Limited	(0.56)%	(45.03)	(0.31)%	(1.48)
Total	100%	8064.12	100%	486.42

1.19. Additional disclosure

Additional statutory information disclosed in the separate financial statements of the Bank and subsidiary have no material bearing on the true and fair view of the consolidated financial statements and the information pertaining to the items which are not material have not been disclosed in the consolidated financial statements.

1.20 Disclosure on Specified Bank Notes:

The Bank believes that the MCA notification G.S.R. 308(E) dated March 30, 2017 regarding holdings as well as dealings in Specified Bank Notes during the period from 8th November, 2016 to 30th December, 2016 is not applicable to banking companies.

THE FEDERAL BANK LIMITED

SCHEDULE 18: NOTES ON ACCOUNTS FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH, 2017 (CONTD...)

1.21 The figures for the year ended March 31, 2016 were audited by previous statutory auditors.

1.22 Figures for the previous year have been regrouped and reclassified, wherever necessary to conform to current year's presentation.

Krishnakumar K
Deputy General Manager

Girish Kumar Ganapathy
Company Secretary

For and on behalf of the Board of Directors

Ashutosh Khajuria
Executive Director & CFO
(DIN:05154975)

Ganesh Sankaran
Executive Director
(DIN:07580955)

K M Chandrasekhar
Chairman
(DIN:06466854)

Shyam Srinivasan
Managing Director & CEO
(DIN : 02274773)

Directors:

Nilesh S Vikamsey (DIN : 00031213)
Dilip G Sadarangani (DIN : 06610897)
Harish H Engineer (DIN : 01843009)
Grace Elizabeth Koshie (DIN : 06765216)
Shubhalakshmi Panse (DIN : 02599310)
C Balagopal (DIN : 00430938)

Place: Kochi
Date : 28 April 2017

FORM AOC-I

(PURSUANT TO FIRST PROVISION TO SUB-SECTION (3) OF SECTION 129 READ WITH RULE 5 OF COMPANIES
(ACCOUNTS) RULES, 2014)

**STATEMENT CONTAINING SALIENT FEATURES OF THE FINANCIAL STATEMENT OF SUBSIDIARIES /
ASSOCIATE COMPANIES / JOINT VENTURES**

PART A: SUBSIDIARIES

(₹ in Thousands)

1. Sl. No.	1
2. Name of the subsidiary:	Fedbank Financial Services Limited
3. The date since when subsidiary was acquired	17/04/1995
4. Reporting period for the subsidiary concerned, if different from the holding company's reporting period.	NA
5. Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries.	NA
6. Share Capital	19,00,000
7. Reserves & surplus	4,04,635
8. Total assets	101,12,946
9. Total Liabilities	78,08,311
10. Investments	NIL
11. Turnover	13,46,157
12. Profit before taxation	3,54,776
13. Provision for taxation	1,29,478
14. Profit after taxation	2,25,298
15. Proposed Dividend	NIL
16. Extent of shareholding (in %)	100%

Notes:

- Names of subsidiaries which are yet to commence operations - NIL
- Names of subsidiaries which have been liquidated or sold during the year. – NIL

FORM AOC-I (CONTD...)

PART "B": ASSOCIATES AND JOINT VENTURES

Statement pursuant to section 129 (3) of the companies act,
2013 Related to associate companies and joint ventures

Name of Associates/Joint Ventures	IDBI Federal Life Insurance Company Limited
1. Latest audited Balance Sheet	31/03/2016
2. Date on which the Associate or Joint Venture was associated or acquired	23/11/2006
3. Shares of Associate/Joint Ventures held by the company on the year end	
Number of shares held	20,80,00,000
Amount of Investment in Associates/Joint Venture (₹ '000)	20,80,000
Extent of Holding (in %)	26%
4. Description of how there is significant influence	Investment more than 20%
5. Reason why the associate/joint venture is not consolidated	NA
6. Networth attributable to Shareholding as per latest audited Balance Sheet (₹ '000)	16,29,746
7. Profit / Loss for the year 2016-17 (₹ '000)	
i. Considered in Consolidation	1,35,493
ii. Not Considered in Consolidation	3,85,131

1. Names of associates or joint ventures which are yet to commence operations - NIL

2. 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
Deputy General Manager

Girish Kumar Ganapathy
Company Secretary

For and on behalf of the Board of Directors

Ashutosh Khajuria
Executive Director & CFO
(DIN:05154975)

Ganesh Sankaran
Executive Director
(DIN:07580955)

K M Chandrasekhar
Chairman
(DIN:06466854)

Shyam Srinivasan
Managing Director & CEO
(DIN : 02274773)

Directors:

Nilesh S Vikamsey (DIN : 00031213)
Dilip G Sadarangani (DIN : 06610897)
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Grace Elizabeth Koshie (DIN : 06765216)
Shubhalakshmi Panse (DIN : 02599310)
C Balagopal (DIN : 00430938)

Place: Kochi

Date : 28 April 2017



Federal Bank receives Best Bank award among the old private sector Bank organized by Financial express:
Shri Shyam Srinivasan (MD & CEO) receives the award from Shri Arun Jaitley (Hon'ble Minister of Finance & Corporate Affairs). FE India's Best Banks survey annually fetes banks that have delivered exemplary performance on various parameters including growth, profitability, strength & soundness amongst others.



Utkarsh Rathi- Winner of India- Maharashtra Edition:
Shri Devendra Fadnavis (Honorable Chief Minister of Maharashtra), Padma Bhushan Anupam Kher (Actor), Shri Nilesh Shivji Vikamsey (Chairman), Shri Shyam Srinivasan (MD & CEO), Shri Ashutosh Khajuria (Executive Director & CFO), Shri Ganesh Sankaran (Executive Director), Shri Sampath D (Chief General Manager & Head-NW 2), Shri Ajith Kumar K K (ADGM & Zonal Head, Mumbai), Shri Raju Hormis (CSR- Head), Executives of the Bank, Branch Heads, Customers and well wishers honored the event with their presence.



Shri. Arvind Subramanian witnessing the digital initiatives of the Bank at the venue of 15th KP Hormis Memorial Lecture. Also seen in the photo are Shri. Shyam Srinivasan (Managing Director & CEO) and Shri. Ashutosh Khajuria (Executive Director)



Shri. K M Chandrasekhar (Chairman) delivering the presidential address on the occasion of 15th KP Hormis Memorial Lecture.



Digital Day event:
Shri Nandan Nilekani, Former Chairman- Unique Identification Authority of India & Co Founder of Infosys launching the LOTZA UPoS (PoS machine which works on UPI platform) with Shri Nilesh Shivji Vikamsey (Chairman, Federal Bank) & Shri Shyam Srinivasan, MD & CEO.



Greenroom, a startup launch platform for aspiring entrepreneurs, by Federal Bank. The bank had given shape to 'Launchpad' with the objective of providing startups the perfect breeding ground. Shri Shashi Tharoor MP was the Chief Guest for the day, delivered the keynote address on the topic – "India, the Spirit of Entrepreneurship and the Future". Shri Shyam Srinivasan (MD and CEO) delivered the opening address.



Shri. Shyam Srinivasan (MD & CEO) handing over a cheque to Shri Venkateswara Bhakti Channel



Inauguration of the launch of Birth Centenary Celebrations of Federal Bank Founder K.P. Hormis by Shri Roji M John (MLA, Angamaly) in the presence of Ms Shalini Warriar (COO), Shri Raju Hormis (CSR- Head), Shri Varghese (CGM & Head Network 1), Shri Mohanachandran K R (CGM & Chief Risk Officer), Shri Thampy Kurian (GM & Head HR), Shri Paul Mundadan (GS- FBOA), Shri Mathew George (GS- FBEU), Shri N V Sunny (DGM & Zonal Head), Shri Wilson Cynriac (Head- Risk & CRO) and others.



Nowfal M- Winner of Speak For India, Kerala Edition

Shri Pinarayi Vijayan (Honorable Chief Minister of Kerala), Shri Shyam Srinivasan (MD & CEO), Shri Jose V Joseph (CGM and Head NW1), Shri M V Shreyams Kumar (Director - Marketing and Electronic Media, Mathrubhumi), Shri Haridas S (Deputy General Manager & Zonal Head- Kozhikode) Shri Raju Hormis (Head- CSR), Executives of the Bank, Branch Heads, Customers and well wishers honored the event with their presence.



FEDAI five day orientation workshop on Forex for officials of member banks from 17th to 21st October 2016 is in session at Federal Bank training centre Aluva. The workshop is inaugurated by Shri. M K Mall (GM, RBI/Kochi) in the meeting presided over by Shri Thampy Kurian (GM, HR- Federal Bank). Shri. Ramesh D, Principal-Federal Knowledge Development centre is also seen.



Federal Bank - PhillipCapital (India) tie-up announced at Singapore:
Shri Shyam Srinivasan (MD & CEO) and Shri Lim Hua Min (Chairman of Phillip Capital Group, Singapore) exchanging the MoU for the tie-up between Federal Bank and Phillip Capital (India) Pvt Ltd for managing NRI Portfolio Investment Scheme (PIS).



Shelwyn James- Winner of Speak For India, Karnataka Edition
Shri Priyank Kharge (Minister of IT & Tourism, Govt of Karnataka), Shri Shyam Srinivasan (MD & CEO), Shri Sampath D (CGM and Head Network 2), Shri Karun Nair (Cricketer), Smt Priyanka Upendra (Actor), Shri Raju Hormis (Head-CSR), Shri Nandakumar V (DGM & Zonal Head), Executives of the Bank, Branch Heads, Customers and well wishers honored the event with their presence.



Federal Bank wins "SKOCH Smart Technologies Gold Award for 2016" for Online Loan platform BYOM (Be Your Own Master). The award was conferred during the 46th SKOCH Summit held at Constitution Club of India. Shri Babu K A (DGM & Zonal Head New Delhi) is seen in the picture receiving award from Shri. Sameer Kochhar (Chairman, SKOCH Group). our online loan platform BYOM has been adjudged amongst the "Top 100 Projects in India" for the year 2016 by SKOCH`



Federal Bank ATMs at 77 KSRTC Bus stations across the state of Kerala:
Shri Varghese K I (CGM & Network 1 Head) Bank exchanging MOU with Shri Antony Chacko (Chairman & Managing Director, KSRTC) in the presence of Shri A K Saseendran (Hon. Minister for Transport, Govt of Kerala), Shri Paul N K (DGM & Zonal Head) and others.



Installation of POS machines at Tirumala Tirupathi Devasthanams:
Shri Ganesh Sankaran (Executive Director) handed over the POS machines to Shri Harindranath (Deputy Executive Officer of TTD) in the presence of Shri Lakshminarayana, (Officer on Special Duty at TTD), Shri S Vasudevudu (AGM & Regional Head, Hyderabad), Shri Narendra Pemmaraju (Manager & Branch Head, Tirupati) and others.



Rededication of Br Kottayam by Shri Thiruvanjoor Radhakrishnan (MLA, Kottayam) in the presence of Shri Shyam Srinivasan (MD & CEO), Ms Shalini Warriier (COO), Shri Varghese K I (CGM & Head- Network 1), Shri Anil Kumar V V (DGM & Zonal Head), Shri Reggie V John (AGM & RH), Shri George Jacob (AGM), Shri Roy Mathew (Branch Head, Kottayam) and others.



Federal Bank bags award for the best use of Digital & Channels technology:

Federal Bank has been adjudged the winner for the best use of digital and channels technology amongst small banks in the IBA banking technology conference, expo & awards 2017. The award is in recognition to the Bank's continuous pursuit for innovation and its effort in utilizing technology for the betterment of Banking in particular and its customers.

In an award ceremony at Mumbai, the award was conferred on the Bank by Shri Viral Acharya, (Deputy Governor of the Reserve Bank of India). Seen in the picture are Shri Sampath D (Chief General Manager & Head – Network 2), Shri Ajith Kumar K K (General Manager & Head – Mumbai Zone), Smt Chanda Kochhar (MD & CEO, ICICI Bank), Padma Vibhushan Dr. Raghunath Mashelkar, Shri Peter Gartenberg (General Manager, Microsoft India), Shri. Aby Abraham (Senior Manager), Shri Manoj Francis (Manager).



Inauguration of second representative office in Dubai by Shri M A Yusuff Ali (Chairman and Managing Director- Lulu Group of Companies) in the presence of Shri Shyam Srinivasan (MD & CEO), Shri K Muraleedharan (MD, SFC Group of Companies) Shri K I Varghese (CGM and head Network 1), Shri Mohanachandran K R (CGM), Shri Deepak Govind (DGM), Shri Jose Skaria (Asst General Manager) and others.



Shri. Nandan Nilekani at the venue of Digital Day delivering a talk on how technology will shape the new normal in Banking



Shri Arvind Subramanian, Chief Economic Advisor to the Government of India, delivering a lecture on "Surprises of the Indian Economy" at the 15th Federal Bank KP Hormis Commemorative Lecture in Kochi.



Shri. Shyam Srinivasan (MD & CEO, Federal Bank) and Shri. Nandan Nilekani among other dignitaries at the announcement of tie-up with 4TiGo, a logistics start up backed by Nandan Nilekani and Accel Partners



Ms. Shalini Warriar, Chief Operating Officer, Federal Bank exchanging MOU with Mr. Raj Ahuja, CFO, Reliance Payments Solution Ltd. Mr. K A Babu, Head-Digital Banking, Mr. Johnson K Jose, Head-IT & Mr. Eqbal Manoj, Head-Planning from Federal Bank and Mr. Sridhar K, Head-Strategic Alliances-Banking from Reliance Jio Money were also present for the occasion.

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